IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: **You must read the following disclaimer before continuing**. The following disclaimer applies to the offering circular following this page (the **offering circular**), and you are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY UNITED STATES ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: The offering circular is being sent at your request and by accepting the e-mail and accessing the offering circular, you shall be deemed to have represented to us that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and that you consent to delivery of the offering circular by electronic transmission.

You are reminded that the offering circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the offering circular to any other person.

MiFID II PRODUCT GOVERNANCE / TARGET MARKET: The Pricing Supplement (as defined in the offering circular) in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer (as defined in the offering circular) subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Lead Arrangers (as defined below) nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET: The Pricing Supplement (as defined in the Offering Circular) in respect of any Notes may include a legend entitled **UK MIFIR Product Governance** which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (**UK MIFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MIFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Global Coordinators and Arrangers, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs / IMPORTANT—EEA RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) No 2017/1129 (as amended, the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs / IMPORTANT—UK RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Offering Circular has not been approved by an authorised person in the United Kingdom. The Notes may not be offered or sold other than to persons whose ordinary activities involve these persons in acquiring, holding, managing, or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes other than in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

The materials relating to the offering of securities to which the offering circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and BPI Capital Corporation (the **Sole Global Coordinator and Lead Arranger**), J.P. Morgan Securities plc, Mizuho Securities Asia Limited, Standard Chartered Bank and UBS AG Singapore Branch (the **Joint Lead Arrangers**, and together with the Sole Global Coordinator and Lead Arranger, the **Lead Arrangers**), or any affiliate of any Lead Arranger or Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Lead Arrangers, such Dealer or such affiliates of such Lead Arrangers or Dealers or such affiliate on behalf of the Issuer (as defined in the offering circular) in such jurisdiction.

The offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via thismedium may be altered or changed during the process of electronic transmission and consequently, none of the Lead Arrangers, the Dealers, the Trustee, the Agents, any person who controls any Lead Arranger, any Dealer, the Trustee or any Agent, or any director, officer, employee or agent of any Lead Arranger, any Dealer, the Trustee or any Agent, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Lead Arrangers and the Dealers.

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

OFFERING CIRCULAR

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

US$3,000,000,000
Medium Term Note Programme

Under this US$3,000,000,000 Medium Term Note Programme (the **Programme**), Bank of the Philippine Islands (the **Issuer** or the **Bank**), subject to compliance with all relevant laws, regulations, and directives, may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively, **Bearer Notes and Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed US$3,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Approval in-principle has been granted by the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for permission to deal in, and quotation of, any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Admission to the Official List of, and quotation of any Notes, on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or such Notes. Any approval in-principle of the SGX-ST for the listing and quotation of any Series of Notes on the SGX-ST is subject to changes in the SGX-ST's policies. This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Please see the transfer restrictions set out under the section "*Subscription and Sales*" on page 199 of this offering circular.

The Programme provides that the Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each series. The Issuer may also issue unlisted Notes.

The Issuer may agree with any Dealer and The Hongkong and Shanghai Banking Corporation Limited (the **Trustee**) that Notes may be issued in a form not contemplated by the terms and conditions of the Notes (the **Conditions**) set out herein, in which event (in the case of Notes intended to be listed on the SGX-ST) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

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

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**).

Each Tranche of Notes of each series (as defined in "*Form of the Notes*") to be issued in bearer form (**Notes**, comprising a **Series**) will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a Permanent Bearer Global Note and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the **Pricing Supplement**) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive bearer Notes of the same Series.

Registered Notes will initially be represented by a global note in registered form, without receipts or coupons, (a **Registered Global Note**) deposited with a common depositary for Euroclear and Clearstream, and registered in the name of a nominee of such common depositary.

The applicable Pricing Supplement will specify that definitive Notes will be made available in certain limited circumstances.

Notes issued under the Programme may be rated or unrated. Where an issue of Notes is rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or with any U.S. securities laws and Bearer Notes are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. See "*Subscription and Sale*".

This Offering Circular is not a prospectus for the purposes of Regulation (EU) 2017/1129.

Sole Global Coordinator and Lead Arranger
BPI Capital

Joint Lead Arrangers (in alphabetical order)

J.P. Morgan **Mizuho** **Standard Chartered Bank** **UBS**

Dealers

BPI Capital **J.P. Morgan** **Mizuho** **Standard Chartered Bank** **UBS**

ANZ **BofA Merrill Lynch** **Citigroup** **DBS Bank Ltd.** **Deutsche Bank**

HSBC **ING** **MUFG** **SMBC Nikko**

The date of this Offering Circular is 13 March 2024.

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

To the fullest extent permitted by law, none of the Dealers, the Lead Arrangers, the Trustee or the Agents (as defined herein) accept any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Lead Arrangers or a Dealer, Trustee or an Agent or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each of the Lead Arrangers, the Dealers, Trustee and Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorised by the Issuer to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by the Issuer, the Lead Arrangers or the Dealers, the Trustee or the Agents.

None of the Lead Arrangers, the Dealers, the Trustee, or the Agents, has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Lead Arrangers, the Dealers, the Trustee, the Agents or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Lead Arrangers, the Dealers, the Trustee, or the Agents that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular, nor any other information supplied in connection with the Programme or the issue of any Notes, constitutes an offer or invitation by or on behalf of the Issuer, any of the Lead Arrangers, the Dealers, the Trustee, or the Agents to any person to subscribe for or to purchase any Notes.

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

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Lead Arrangers, the Dealers, the Trustee or the Agents represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an

exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, any of the Lead Arrangers, the Dealers, the Trustee, or the Agents which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom), the Netherlands, Japan, Singapore, Hong Kong, the Philippines, Thailand and PRC, see "*Subscription and Sale*". If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Lead Arrangers or Dealers or any affiliate of the Lead Arrangers or Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Lead Arranger, such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000, as amended (including as amended by the Financial Services Act 2012 (**FSA**)) (**FSMA**) with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See "*Subscription and Sale*".

MiFID II PRODUCT GOVERNANCE / TARGET MARKET: The Pricing Supplement (as defined in the Offering Circular) in respect of any Notes may include a legend entitled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Lead Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET: The Pricing Supplement (as defined in the Offering Circular) in respect of any Notes may include a legend entitled "**UK MIFIR Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (**UK MIFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MIFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise none of the Global Coordinators and Arrangers, the Dealers or any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs / IMPORTANT—EEA RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) No 2017/1129 (as amended, the **Prospectus Regulation**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs / IMPORTANT—UK RETAIL INVESTORS: If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

This Offering Circular has not been approved by an authorised person in the United Kingdom. The Notes may not be offered or sold other than to persons whose ordinary activities involve these persons in acquiring, holding, managing, or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes other than in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE:

Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Warning – The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Important Notice to Prospective Investors Pursuant to Paragraph 21 of the Hong Kong SFC Code of Conduct

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme (each such offering, a **CMI Offering**), including certain Dealers, may be "capital market intermediaries" (**CMIs**) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the **SFC Code**). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (**OCs**) for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (**Association**) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealers and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

Important notice relating to the use of proceeds of Notes designated as Green Bonds, Social Bonds or Sustainable Bonds

Prospective investors should have regard to the information set out in the "*Use of Proceeds*" section of this Offering Circular and should consult with its legal or other advisers before making an investment in the Notes and must determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation the investor deems necessary. In particular, no assurance is given by the Issuer, the Lead Arrangers, the Dealers, the Trustee, the Agents or any other person that the investment of an amount equivalent to the net proceeds in any Eligible Green Projects or Eligible Social Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulation or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any Eligible Green Projects or Eligible Social Projects. Moreover, no assurance can be provided that any adverse social, environmental, sustainability-related and/or other impacts will not occur during the implementation of any activities, projects or expenditures that are the subject of, or related to, the Sustainable Funding Framework. In addition, the Sustainable Funding Framework may be amended at any time without notice or the consent of Noteholders and none of the Issuer, the Lead Arrangers, the Dealers, the Trustee, the Agents or any other person assumes any obligation or responsibility to release any update or revision to the Sustainable Funding Framework and/or information to reflect events or circumstances since the date of publication of the Sustainable Funding Framework. The Lead Arrangers, the Dealers, the Trustee and the Agents shall not be responsible for the ongoing monitoring of the use of proceeds in respect of the Notes. Furthermore, none of the Issuer, the Lead Arrangers, the Dealers, the Trustee or the Agents makes any representation as to the suitability or content of the Sustainable Funding Framework.

In the event the Notes are listed or admitted to trading on any dedicated "green", "social", "sustainable" or any other equivalently labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer, the Lead Arrangers, the Dealers, the Trustee, the Agents or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines, which such investor or its investments may be required to comply with, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect social, environmental or sustainability-related impact of any projects or uses of funds. No representation or assurance is given or made by the Issuer, the Lead Arrangers, the Dealers, the Trustee, the Agents or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

It should further be noted that the definition (legal, regulatory or otherwise) of, or market consensus as to what constitutes or may be classified as, a "green" or an equivalently-labelled investment is evolving. No assurance can be given that clear definitions, market consensus or labels will develop over time or that, if it does or they do, the Notes will comply with such definitions, market consensus or labels. In addition, no assurance can be given by the Issuer, the Lead Arrangers, the Dealers, the Trustee, the Agents or any other person to investors that the Notes will comply with any future standards or requirements regarding any "green" or other equivalently-labelled performance objectives.

None of the Lead Arrangers, the Dealers, the Trustee or the Agents has undertaken, or is responsible for, any assessment of any environmental, sustainability, social and/or other criteria for selecting investments in the Eligible Green Projects or the Eligible Social Projects, any verification of whether the Notes, Eligible Green Projects or Eligible Social Projects meet any such environmental, sustainability, social and/or other criteria, the monitoring of the use of proceeds of the Notes (or amounts equal thereto), the allocation of the proceeds by the Issuer to particular Eligible Green Projects or Eligible Social Projects as required by prospective investors, or the delivery or content of any opinion or certification of any third party (whether or not solicited by the Issuer) available in connection with the issue of Notes designated as Green Bonds, Social Bonds or Sustainable Bonds.

In connection with the offering of any Series of Notes, each Dealer is acting or will act for the Issuer in connection with the offering and no one else and will not be responsible to anyone other than the Issuer for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

For a description of other restrictions, see "*Subscription and Sale*".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The audited consolidated financial statements of the Bank and its subsidiaries as of and for the years ended 31 December 2021, 2022 and 2023 included in this Offering Circular have been prepared in accordance with Philippine Financial Reporting Standards (**PFRS**). PFRS is substantially based on International Financial Reporting Standards. The Bank's financial statements as of and for the years ended 31 December 2021, 2022 and 2023 were audited by Isla Lipana & Co., independent auditors, in accordance with Philippine Standards on Auditing (**PSA**).

CERTAIN DEFINITIONS

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

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

This Offering Circular contains translations of certain amounts into U.S. Dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, Philippine Peso/U.S. Dollar exchange rates referred to in this Offering Circular are weighted average rates for the indicated period or on the applicable date, as relevant, for the purchase of U.S. dollars with Pesos published in the Reference Exchange Rate Bulletin by the BSP (the **BSP Rate**). No representation is made that the Peso, U.S. Dollar, or other currency amounts referred to herein could have been or could be converted into Pesos, U.S. Dollars, or any other currency, as the case may be, at this rate, at any particular rate or at all.

Figures in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary and figures which are totals may not be an arithmetic aggregate of their components. On 29 December 2023, the BSP Rate was ₱55.567 = US$1.00.

ENFORCEABILITY OF CIVIL LIABILITIES

The Bank is organised under the laws of the Philippines. Substantially all of the directors and executive officers of the Bank are residents of the Philippines and a substantial portion of the assets of the Bank and the assets of such persons are located in the Philippines. As a result, it may not be possible for investors to effect service of process upon the Bank, or such directors and executive officers outside the Philippines, or to enforce judgments obtained against them outside the Philippines predicated upon civil liabilities of the Bank or such directors and executive officers under laws other than Philippine law.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Moreover, the Philippines enacted Republic Act No. 9285, otherwise known as the Alternative

Dispute Resolution Act of 2004, to facilitate the enforcement of arbitral awards in the Philippines. The enforceability of foreign judgments in the Philippines is specifically provided for in the 1997 Rules of Civil Procedure. Section 48 of Rule 39 of the Rules of Civil Procedure provides that a judgment or final order of a tribunal of a foreign country having jurisdiction to give the judgment or final order is enforceable in the Philippines as a general matter as follows: (a) in case of a judgment or final order upon specific property, is conclusive upon the title to that property; and (b) in case of a judgment or final order against a person, is presumptive evidence of a right between the parties and their successors in interest by a subsequent title. In either case, the judgment or final order may be rejected in the following instances: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to law, morals, good customs, public order, or public policy of the Philippines, (iv) a party did not have notice of the proceedings before the foreign court or (v) such judgment was based upon a clear mistake of law or fact. Furthermore, Philippine courts have held that a foreign judgment is presumed to be valid and binding in the country from which it issues, until the contrary is shown, and the party contesting the foreign judgment has the burden of overcoming the presumption of its validity.

FORWARD-LOOKING STATEMENTS

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

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

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

DOCUMENTS INCORPORATED BY REFERENCE

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

1. the most recently published audited non-consolidated and (if produced) consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated and (if produced) consolidated financial results of the Issuer, (see "*General Information*" for a description of the financial statements currently published by the Issuer); and

2. all supplements or amendments to this Offering Circular prepared by the Issuer from time to time.

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

Any published unaudited interim financial statements of the Bank which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited by the auditors of the Bank. Accordingly, investors should not place undue reliance upon them (see "*Investment Considerations—Risks Related to the Information in this Offering Circular—Undue reliance cannot be placed on any unaudited, reviewed interim financial statements deemed incorporated by reference to this Offering Circular*").

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular.

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

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer, subject to compliance with all relevant laws, regulations, and directives, may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions (the **Conditions**) of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any supplement will only be valid for listing Notes on the SGX-ST in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed US$3,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

1. the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined by the principal paying agent (which for the time being is The Hongkong and Shanghai Banking Corporation Limited (the **Principal Paying Agent**) for the Notes listed on the SGX-ST), as of the date on which agreement is reached for the issue of Notes on the basis of the spot rate for the sale of the U.S. dollar against the purchase of that Specified Currency in the London foreign exchange market quoted by leading international bank selected by the Principal Paying Agent on the relevant day of calculation;

2. the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on

issue of such Notes (in the case of Partly Paid Notes regardless of the amount of the subscription price paid); and

3. the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the nominal amount of those Notes.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Issuer	Bank of the Philippine Islands (LEI: 549300UW4UH6XT2X8C50)
Description	Medium Term Note Programme
Sole Global Coordinator and Lead Arranger	BPI Capital Corporation
Joint Lead Arrangers	J.P. Morgan Securities plc, Mizuho Securities Asia Limited, Standard Chartered Bank and UBS AG Singapore Branch
Lead Arrangers	BPI Capital Corporation, J.P. Morgan Securities plc, Mizuho Securities Asia Limited, Standard Chartered Bank and UBS AG Singapore Branch
Dealers	BPI Capital Corporation, J.P. Morgan Securities plc, Mizuho Securities Asia Limited, Standard Chartered Bank, UBS AG Singapore Branch, Australia and New Zealand Banking Group Limited, Citigroup Global Markets Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation Limited, ING Bank N.V., Singapore Branch, Merrill Lynch (Singapore) Pte. Ltd., MUFG Securities Asia Limited Singapore Branch and SMBC Nikko Securities (Hong Kong) Limited and any other Dealers appointed in accordance with the Programme Agreement (as defined under "*Subscription and Sale*").
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular.
Notes having a maturity of less than one year	Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Trustee	The Hongkong and Shanghai Banking Corporation Limited
Principal Paying Agent	The Hongkong and Shanghai Banking Corporation Limited
Registrar and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited
Programme Size	US$3,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") in aggregate nominal amount of Notes outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

Investment Considerations	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme. These are set out under "*Investment Considerations*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Investment Considerations*" and include certain risks relating to the structure of particular Series of Notes and certain market risks.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis. The Notes will be issued in Series having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of the Series. Each Series may be issued in tranches (each, a **Tranche**) on the same or different issue date. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be specified in the Pricing Supplement.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer and indicated in the applicable Pricing Supplement, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes................................	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes or *vice versa.*
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

	The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in Floating Rate Notes and Index Linked Interest Notes..	Floating Rate Notes and Index Linked Interest Notes may also have a relation to maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Other Notes	The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Conditions, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than (i) in specified instalments, if applicable; (ii) for taxation and regulatory reasons; or (iii) following a Senior Note Event of Default (as defined in Condition 10.1) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions—Notes having a maturity of less than one year*" above.
Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "*Certain Restrictions—Notes having a maturity of less than one year*" above.
Taxation...	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 8.2), subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain

	limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge............................	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default................................	The terms of the Notes will contain a cross default provision as further described in Condition 10.1(c).
Status of the Senior Notes	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Listing	Approval in-principle has been granted by the SGX-ST for permission to deal in, and quotation of, any Notes to be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, Notes which are listed on the SGX-ST will be traded with a minimum board lot size of at least S$200,000 or its equivalent in foreign currencies. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Notes Issued as Green, Social or Sustainability Bonds..................	The Issuer may agree at the relevant issue date of any Notes designated as Green, Social or Sustainability Bonds (as described in "*Use of Proceeds*") to allocate the net proceeds towards the financing and/or refinancing of Eligible Green and/or Social Projects (as defined in "*Use of Proceeds*") in accordance with certain prescribed eligibility criteria described under the Bank's Sustainable Funding Framework. See "*Use of Proceeds—Sustainable Funding Framework*". It would not be a default under the Green, Social or Sustainability Bonds if (i) the Issuer were to fail to allocate the proceeds in the manner specified in the applicable Pricing Supplement or otherwise not comply with the Bank's Sustainable Funding Framework and/or (ii) any third-party statements issued in connection with such Green, Social or Sustainability Bonds were to be withdrawn, modified or downgraded. Any failure to allocate as specified or otherwise comply with the Bank's Sustainable Funding Framework or any withdrawal, modification, or downgrade of third-party statements issued in connection with Notes designated as Green, Social or Sustainability Bonds and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with respect to such Green, Social or Sustainability Bonds may affect the value and/or trading price of the Green, Social or Sustainability Bonds and/or may have consequences for certain investors with portfolio mandates to invest in assets with environmentally-beneficial attributes. See "*Investment Considerations—Risks Relating to the Notes issued as Green, Social or Sustainability Bonds*".
Ratings..	Notes issued under the Programme may be rated or unrated . Where a certain Series of Notes is rated, its rating will not necessarily be the same

	as the rating applicable to the Programme and (where applicable) such rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Governing Law	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Clearing System	Euroclear, Clearstream and/or any other clearing system, as specified in the applicable Pricing Supplement (see "*Form of Notes*").
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom), the Netherlands, Japan, Hong Kong, Singapore, the Philippines, Thailand, PRC and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see "*Subscription and Sale*").
United States Selling Restrictions	Regulation S Category, as specified in the applicable Pricing Supplement. TEFRA C/TEFRA D/TEFRA C and TEFRA D not applicable, as specified in the applicable Pricing Supplement.

FORM OF THE NOTES

The Notes of each Series will either be in bearer form, with or without interest coupons (**Coupons**) attached (**Bearer Notes**), or registered form, without interest coupons attached (**Registered Notes**). The Notes will be issued outside the United States in reliance on Regulation S.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear and Clearstream.

Bearer Notes

Prior to the issuance of any Bearer Notes hereunder, the Issuer will confirm with its counsel that all documents used in connection with the issuance of such Bearer Notes have been reviewed, revised, and updated to the extent necessary to ensure that such documents properly allow for the issuance of Bearer Notes in accordance with U.S. federal income tax law.

Each Tranche of Bearer Notes will initially be represented by either a Temporary Bearer Global Note or a Permanent Bearer Global Note as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to the Common Depositary for Euroclear and Clearstream.

While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Bearer Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream and (in the case of a Temporary Bearer Global Note delivered to a Common Depositary for Euroclear and Clearstream) Euroclear and/or Clearstream, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent (as defined in "*Terms and Conditions of the Notes*").

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) Definitive Bearer Notes (**Definitive Bearer Notes**) of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, from Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) to the Principal Paying Agent as described therein, or (ii) upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing or (i) the Issuer has been notified that both Euroclear and Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form and a certificate to such effect from an authorised officer of the Issuer has been given to the Trustee. The Issuer will promptly give notice to the Noteholders and the Trustee in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Registered Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange and in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange following an Exchange Event shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes which have an original maturity of more than one year and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION MAY BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will initially be represented by a Registered Global Note.

Prior to expiry of the distribution compliance period (as defined in Regulation S), if any, applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 and may not be held otherwise than through Euroclear or Clearstream and such Registered Global Note will bear a legend regarding such restrictions on transfer.

Registered Global Notes will be deposited with, and registered in the name of a nominee of, a Common Depositary for Euroclear and Clearstream, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form (**Definitive Registered Notes**).

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar (each as defined under "*Terms and Conditions of the Notes*") will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event.

The Issuer will promptly give notice to the Noteholders and the Trustee in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, (a) in the case of Notes held by a Common Depositary for Euroclear and/or Clearstream, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note), or the Trustee may give notice to the Principal Paying Agent requesting exchange and in the event of the occurrence of an Exchange Event as described above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange following an Exchange Event shall occur not later than 10 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream.

General

All Notes will be issued pursuant to the Trust Deed and the Agency Agreement (each as defined under "*Terms and Conditions of the Notes*").

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN number which are different from the common code and ISIN number assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a Global Note) held on behalf of Euroclear and/or Clearstream, each person (other than Euroclear and/or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, its agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Trustee, the Issuer and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Trust Deed and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or otherwise approved by the Issuer, the Trustee and the Principal Paying Agent.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note representing such Notes is exchanged for definitive Notes. In addition, in the event that the Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

No Noteholder, Receiptholder or Couponholder (each as defined in "*Terms and Conditions of the Notes*") shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

If the applicable Pricing Supplement specifies any modification to the Conditions as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition 7.2), 11, 12, 13, 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange) or 17, they will not necessitate the preparation of a supplement to this Offering Circular. If the Conditions of any Series of Notes are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[***EU MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a* **distributor***) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.*]

[***UK MiFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in [Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA (as may be amended or superseded from time to time, **UK MiFIR**)]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a* **distributor***) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.*]

[***[MiFID II][and][UK MiFIR] – professionals/ECPs-only [/No PRIIPs or UK PRIIPs KID]** – Manufacturer target market ([MIFID II] [and] [UK MiFIR] product governance) is eligible counterparties and professional clients only (all distribution channels). [No PRIIPs or UK PRIIPs key information document (KID) has been prepared as not available to retail in EEA or UK.]*]

[***PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any EEA Retail Investor in the European Economic Area (**EEA**). For these purposes, an **EEA Retail Investor** means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the **EU Prospectus Regulation**). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **EU PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to EEA Retail Investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any EEA retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.*]

[***PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any UK Retail Investor in the United Kingdom (**UK**). For these purposes, a **UK Retail Investor** means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the **EUWA**); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the **FSMA**), and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in the EU Prospectus Regulation as it forms part of UK domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (as may be amended or superseded from time to time, the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to UK Retail Investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any UK Retail Investor in the UK may be unlawful under the UK PRIIPs Regulation.*]

[*The following legend to be included if Notes are capital markets products other than prescribed capital markets products and Specified Investment Products.*

Section 309B(1)(c) of the SFA Notification – *The Notes shall be capital markets products other than prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).] [Note: Relevant Dealer(s) to consider whether it/they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.*]

Pricing Supplement Dated [*date*]

Bank of the Philippine Islands

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the US$3,000,000,000
Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated 13 March 2024 and any documents therein incorporated by reference (collectively, the **Offering Circular**). This Pricing Supplement comprises the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*original date*] which are incorporated by reference in the Offering Circular dated [*current date*] and are attached hereto. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [*current date*].]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

1.	Issuer:	Bank of the Philippine Islands (LEI: 549300UW4UH6XT2X8C50)
2.	(a) Series Number:	[ ]
	(b) Tranche Number:	[ ] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
	(c) Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 34 below, which is expected to occur on or about [date]][Not Applicable]
3.	Specified Currency or Currencies:	[ ]
4.	Aggregate Nominal Amount:	
	(a) Series:	[ ]
	(b) Tranche:	[ ]
5.	(a) Issue Price:	[ ]% of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]

	[(b) Net Proceeds: (*only for listed notes*)	[ ]]
6.	(a) Specified Denominations:	[ ]
		(N.B. Notes must have a minimum denomination of €100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of whole sale securities and in order to benefit from the wholesale exemption set out in Article 1.4(c) of the Prospectus Regulation in that Member State.)
		(Note — where Bearer Notes with multiple denominations above €100,000 or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed:
		"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].")
		(N.B. If an issue of Notes is (i) NOT admitted to trading on a European Economic Area exchange or a United Kingdom exchange; and (ii) only offered in the European Economic Area or the United Kingdom in circumstances where a prospectus is not required to be published under the Prospectus Regulation the €100,000 minimum denomination is not required.)
		(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)
	(b) Calculation Amount:	[ ]
		(If there is only one Specified Denomination, insert the Specified Denomination. If there is more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7.	(a) Issue Date:	[ ]
	(b) Interest Commencement Date:	[*Specify/Issue Date/Not Applicable*]
		(*N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.*)
8.	Maturity Date:	[*Fixed rate—specify date/Floating rate—Interest Payment Date falling in or nearest to [specify month and year*]]
9	Interest Basis:	[[ ]% Fixed Rate] [[EURIBOR/SOFR Benchmark/*Specify Reference Rate*] +/- [ ]% Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid]

		[Instalment] [*specify other*]
11	Change of Interest Basis or Redemption/ Payment Basis:	[Applicable/Not Applicable] (*If applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis*)
12	Put/Call Options:	[Investor Put] [Issuer Call]
13	Status of the Notes:	Senior
14	(a) Date(s) of Board approval(s) for issuance of Notes obtained:	[ ] [and [ ], respectively]]/[None required] (*N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes.*)
	(b) Date(s) of regulatory approval(s)/consent(s) for issuance of Notes obtained:	[ ]/[None required]
15	Listing:	[SGX-ST/specify other/None] (*N.B. Consider disclosure requirements under the EU Prospectus Regulation applicable to securities admitted to an EU regulated market*)
16	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17	Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate(s) of Interest:	[ ]% per annum [payable in arrear] on each Interest Payment Date
	(b) Interest Payment Date(s):	[ ] in each year, commencing on [ ], up to and including the Maturity Date] *(Amend appropriately in the case of irregular coupons)*
	(c) Fixed Coupon Amount(s): (*Applicable to Notes in definitive form*.)	[ ] per Calculation Amount
	(d) Broken Amount(s): (*Applicable to Notes in definitive form*.)	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(e) Day Count Fraction:	[Actual/Actual (ICMA) 30/360 Actual/365 (Fixed) Other]
	(f) Determination Date(s):	[[ ] in each year] [Not Applicable] [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*]

		(*N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration*) *(N.B. Only relevant where Day Count Fraction is Actual/ Actual (ICMA))*
	(g) Party responsible for calculating the amount of interest payable per Calculation Amount (if not the Principal Paying Agent):	[ ]
	(h) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*give details*]
18.	Floating Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Specified Period(s)/Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable] [The definition of **Interest Payment Date** in Condition 5.2(b)(iii)(B)(3) applies.] (*Only applicable in the case of SOFR Payment Delay*)T
	(b) Interest Period(s):	[Each period beginning on (and including) [the Interest Commencement Date/[ ]] or any Specified Interest Period Date and ending on (but excluding) the next Specified Interest Period Date, subject to adjustment in accordance with the Business Day Convention set out in (iii) below, and **Specified Interest Period Date** means [[ ], [ ], [ ] and [ ]] in each year up to and including the Maturity Date, subject to adjustment in accordance with the Business Day Convention set out in (iii) below] (*Only applicable in the case of SOFR Payment Delay where Specified Interest Period Date is required*)
	(c) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ [*specify other*]]
	(d) Additional Business Centre(s):	[Not Applicable/*give details*]
	(e) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/*specify other*]
	(f) Calculation Agent:	[*Name*]
	(g) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[[Name] shall be the Calculation Agent (*no need to specify if the Principal Paying Agent is to perform this function*)]
	(h) Screen Rate Determination:	[ ]

• Reference Rate and Relevant Financial Centre:	Reference Rate: [ ] month [EURIBOR/SOFR Benchmark/*specify other Reference Rate*]. Relevant Financial Centre: [Brussels/New York/*specify other Relevant Financial Centre*]
• Interest Determination Date(s):	[The [fifth][1] U.S. Government Securities Business Day prior to the last day of each Interest Period – *only applicable in the case of Simple SOFR Average/SOFR Lag/SOFR Observation Shift/SOFR Lockout/Compounded SOFR Index*] [The Specified Interest Period Date [*(as defined in 18(b)*)], provided that the Interest Determination Date with respect to the final Interest Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-off Date – *only applicable in the case of SOFR Payment Delay*]
• Relevant Screen Page:	[ ] (*In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
• SOFR Benchmark:	[Not Applicable/Simple SOFR Average/Compounded SOFR Average/Compounded SOFR Index] *(Only applicable where the Reference Rate is SOFR*)
• Compounded SOFR Average Method:	[Not Applicable/SOFR Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout] (*Only applicable where the Reference Rate i SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average*)
• Lookback Days	[[Five] U.S. Government Securities Business Days – *used for SOFR Lag only*]/[Not Applicable][2]
• Relevant Time:	[ ] (*For example, 11:00 a.m. London time*)
(i) ISDA Determination:	
• Floating Rate Option:	[ ]
• Designated Maturity:	[ ]
• Reset Date:	[ ] (*In the case of a EURIBOR based option, the first day of the Interest Period*)
• ISDA Definitions:	[ ] (*If different from those set out in the Conditions*)
(j) Margin(s):	[+/-][ ]% per annum
(k) Minimum Rate of Interest:	[ ]% per annum
(l) Maximum Rate of Interest:	[ ]% per annum

[1] *To be at least the fifth U.S. Government Securities Business Day prior to the last day of each Interest Period unless otherwise agreed with the Calculation Agent.*

[2] *To be at least the fifth U.S. Government Securities Business Day prior to the last day of each Interest Period unless otherwise agreed with the Calculation Agent.*

(m)	Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360][Bond Basis] [30E/360][Eurobond Basis] [30E/360 (ISDA)] (See Condition [5] for alternatives)
(n)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

19.	Zero Coupon Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Accrual Yield:	[ ]% per annum
(b)	Reference Price:	[ ]
(c)	Any other formula/basis of determining amount payable:	[ ]
(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[30/360] [Actual/360] [Actual/365] [*specify other*] (*Consider applicable day count fraction if not U.S. dollar denominated*)
20.	Index Linked Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Index/Formula:	[*Give or annex details*]
(b)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent):	[ ]
(c)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(d)	Interest Period(s):	[ ]
(e)	Specified Period(s)/Specified Interest Payment Dates:	[ ]

	(f) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ *specify other*]
	(g) Additional Business Centre(s):	[Not Applicable/*give details*]
	(h) Minimum Rate of Interest:	[ ]% per annum
	(i) Maximum Rate of Interest:	[ ]% per annum
	(j) Day Count Fraction:	[ ]
21.	Dual Currency Interest Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(b) Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent):	[ ]
	(c) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*Need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(d) Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

22.	Notice periods for Condition 7.2:	Minimum period: [ ] days Maximum period: [ ] days
23.	Issuer Call:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Optional Redemption Date(s):	[ ]
	(b) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/specify other/see Appendix]
	(c) If redeemable in part:	
	(i) Minimum Redemption Amount:	[ ] per Calculation Amount
	(ii) Maximum Redemption Amount:	[ ] per Calculation Amount
(d)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days

		(*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or the Trustee*)
24.	Investor Put:	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*]
(c)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days (*N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or the Trustee*)
25.	Final Redemption Amount of each Note:	[[ ] per Calculation Amount/*specify other/see Appendix*]
26.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7.6):	[[ ] per Calculation Amount/*specify other/see Appendix*]
27.	Applicable Spread:	[[ ]% per annum]/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

28.	Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes [on [ ] days' notice given at any time/only upon an Exchange Event]] [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date]] [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes [on [ ] days' notice given at any time/only upon an Exchange Event]] (*Ensure that this is consistent with the wording in the* "*Form of the Notes*" *section in the Offering Circular and the Notes themselves. The exchange upon notice option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:*

		"*[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]*". *Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Bearer Global Note exchangeable for Definitive Bearer Notes.*) Registered Notes: [Registered Global Note ([ ] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream (*specify nominal amounts*)]
29.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] (*Note that this item relates to the place of payment and not Interest Period end dates to which items 18(d) and 20(g) relate*)
30.	Talons for future Coupons or Receipts to be attached to Definitive Notes in bearer form (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
31.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]:	[Not Applicable/give *details. N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues*]
32.	Details relating to Instalment Notes:	
	(a) [Instalment Amount(s):	[Not Applicable/*give details*]]
	(b) [Instalment Date(s):	[Not Applicable/*give details*]]
33.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
34.	Consolidation provisions:	[Not Applicable/ [The provisions in Condition 17 (Further Issues)] / [annexed to this Pricing Supplement] apply]
35.	Any applicable currency disruption/ fallback provisions:	[Not Applicable/*give details*]
36.	Other terms or special conditions:	[Not Applicable/*give details*] [*N.B. If full terms and conditions are to be used:* The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provisions to the contrary. *The full Conditions should be attached to and form part of the Pricing Supplement*]

DISTRIBUTION

37. (a) If syndicated, names of Managers:	[Not Applicable/*give names*]
(b) Stabilising Manager(s) (if any):	[Not Applicable/*give name(s)*]
(c) Date of Subscription Agreement:	[ ]
38. If non-syndicated, name of relevant Dealer:	[ ]
39. U.S. Selling Restriction:	Reg. S Category [1 / 2]; [TEFRA D/TEFRA C/TEFRA D and TEFRA C are not applicable]
40. Singapore Sales to Institutional Investors and Accredited Investors only:	[Applicable/Not Applicable]
41. Additional selling restrictions:	[Not Applicable/*give details*]
42. Additional U.S. federal income tax considerations:	[Not Applicable/*give details*] [*To consider whether any considerations relating to the U.S. Foreign Account Tax Compliance Act need to be included*]

OPERATIONAL INFORMATION

43. Any clearing system(s) other than Euroclear and Clearstream and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
44. Delivery:	Delivery [against/free of] payment
45. Additional Paying Agent(s) (if any):	[ ]
46. ISIN	[ ]
47. Common Code	[ ]

HONG KONG SFC CODE OF CONDUCT

48. Rebates:	[Not Applicable / A rebate of [●] bps is being offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]
49. Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[Not Applicable / [*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide*]]
50. Marketing and Investor Strategy:	[*if different from Offering Circular*]

GENERAL

51.	Rating(s):	[*Rating Agency*: [ ]]
52.	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [ ], producing a sum of (for Notes no denominated in [U.S. dollars]):	[Not Applicable/ US$[ ]]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[STABILISATION

In connection with this issue, [insert name of *Stabilising Manager(s)*] (the **Stabilising Manager(s)**) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over- allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.]

[LISTING

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the US$3,000,000,000 Medium Term Note Programme of Bank of the Philippine Islands.]

INVESTMENT CONSIDERATIONS

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

The Issuer represents and warrants that except as disclosed in this Pricing Supplement, there has been no significant change in the financial or trading position of the Issuer since [*date of most recently audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer since [*date of most recently published annual accounts*].

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the **Bank of the Philippine Islands:**

By: ____________________________________

Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes (the ***Conditions****) which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and not so agreed, such definitive Note will have endorsed thereon or attached thereto such Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by Bank of the Philippine Islands (the **Issuer**), and constituted by a trust deed dated 13 March 2024 (such trust deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) made between the Issuer and The Hongkong and Shanghai Banking Corporation Limited (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the currency specified therein or, if none is specified, the currency in which the Notes are denominated (the **Specified Currency**);

(ii) any Global Note in bearer form (a **Bearer Global Note**);

(iii) any Global Note in registered form (a **Registered Global Note**);

(iv) definitive Notes in bearer form (**Definitive Bearer Notes**, and together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Bearer Global Note; and

(v) definitive Notes in registered form (**Definitive Registered Notes**, and together with Registered Global Notes, the **Registered Notes**), whether or not issued in exchange for a Registered Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an agency agreement dated 13 March 2024 (such agency agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) and made between the Issuer, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and any additional paying agents appointed in accordance with the Agency Agreement (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and as transfer agent (the **Transfer Agent**, which expression shall include any additional or successor transfer agents appointed in accordance with the Agency Agreement) and The Hongkong and Shanghai Banking Corporation Limited as registrar (the **Registrar**, which expression shall include any successor registrar and, together with the Paying Agents and Transfer Agents, the **Agents**).

Interest bearing Definitive Bearer Notes (unless otherwise indicated in the applicable Pricing Supplement) have interest coupons (**Coupons**) and, if indicated in the applicable Pricing Supplement, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these terms and conditions (**Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons. The Trustee acts for the benefit of the Noteholders, the Receiptholders and the Couponholders, in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, (unless this is a Zero Coupon Note) Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours, with prior written notice, at the registered office for the time being of the Trustee (being Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and electronically via e-mail written request to hkcorporate.trust.queries@hsbc.com.hk and at the specified office of each of the Principal Paying Agent and the other Paying Agents and electronically via e-mail written request to hkpayingagentctla@hsbc.com.hk. Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of each of the Paying Agents and electronically via e-mail written request to hkpayingagentctla@hsbc.com.hk save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Trust Deed, the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be in bearer form and/or in registered form and, in the case of definitive Notes, will be serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons and (if applicable) Receipts and Talons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the books of the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by a common depositary on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream**), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or of Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, the Trustee, the Principal Paying Agent, any Paying Agent, the Registrar and any Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes, as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, as the case may be. References to Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer, the Trustee and the Principal Paying Agent.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Notes in definitive form only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for Euroclear or Clearstream shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of Euroclear or Clearstream or to a successor of Euroclear or Clearstream or such successor's nominee.

2.2 Transfers of Registered Notes Generally

Registered Notes may not be exchanged for Bearer Notes and *vice versa*.

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (i) the holder or holders must (a) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Trustee, the Registrar, or as the case may be, the relevant Transfer Agent may prescribe (such initial regulations being set out in Schedule 4 to the Agency Agreement), which may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of Transfer upon Partial Redemption

In the event of a partial redemption of Notes under Condition 7.3, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, that is called for partial redemption.

2.4 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity, pre-funding or security as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it provided that the Issuer shall not be responsible for any documentary stamp tax payable on the transfer of Notes effected in the Republic of the Philippines (the **Philippines**) unless the Issuer is the counterparty directly liable for that documentary stamp tax.

2.5 Closed Periods

No Noteholder may require the transfer of a Definitive Registered Note to be registered during the period of 15 days ending on (and including) the due date for any payment of principal, premium or interest on that Note.

The Issuer shall not be required in the event of a partial redemption of Notes under Condition 7:

(a) to register the transfer of Definitive Registered Notes (or parts of such Notes) during the period beginning on the 65th day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or

(b) to register the transfer of any Definitive Registered Note, or part of a Definitive Registered Note, called for redemption.

3. STATUS

The Notes, the status of which is specified in the applicable Pricing Supplement as Senior (the **Senior Notes**), and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Under Philippine law unsecured debt (including guarantees of debt) of a borrower in insolvency or liquidation that is documented by a public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines, ranks ahead of unsecured debt that is not so documented. Debt is treated as documented by a public instrument if it is acknowledged before a notary or any person authorised to administer oaths in the Philippines. The Issuer's debt which is documented by a public instrument will rank ahead of the Senior Notes in the event the Issuer is unable to service its debt obligations.

The Issuer will, in connection with the issuance of the Senior Notes, represent that it has not prepared, executed or filed any public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines, relating to any Relevant Debt (as defined below), or consented to the preparation or filing of any such public instrument. The Issuer also will agree that it will not create or permit to subsist any preference or priority in respect of any Relevant Debt pursuant to Article 2244(14) of the Civil Code of the Philippines unless it grants equal and ratable preference or priority to amounts payable under the Senior Notes.

4. NEGATIVE PLEDGE

So long as any of the Senior Notes remains outstanding (as defined in the Trust Deed):

(i) the Issuer will not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (**Security**) upon the whole or any part of its undertaking, assets or revenues (including any uncalled capital) present or future to secure any Relevant Debt, or any guarantee of or indemnity in respect of any Relevant Debt; and

(ii) the Issuer will procure that no other person creates or permits to subsist any Security upon the whole or any part of the undertaking, assets or revenues (including any uncalled capital) present or future of that other person to secure (x) any of the Issuer's Relevant Debt, or any guarantee of or indemnity in respect of any of the Issuer's Relevant Debt, or (y) where the person in question is a Subsidiary (as defined in the Trust Deed) of the Issuer, any of the Relevant Debt of any person other than that Subsidiary, or any guarantee of or indemnity in respect of any such Relevant Debt, unless, at the same time or prior thereto, the Issuer's obligations under the Senior Notes (aa) are secured equally and ratably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (bb) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by an Extraordinary Resolution (which is defined in the Trust Deed as, *inter alia*, a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the Senior Notes; and

(iii) the Issuer will not create or permit to subsist any preference or priority in respect of any other Relevant Debt of the Issuer pursuant to Article 2244(14) of the Civil Code of the Philippines, or any successor Philippine law providing for preferences or priority in respect of notarised Relevant Debt, unless amounts payable under the outstanding Senior Notes are granted preference or priority equally and ratably therewith.

For the purposes of these Conditions, **Relevant Debt** means any present or future indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities (**Indebtedness**) having an original maturity of more than one year from its date of issue and which are for the time being (or in the case of Conditions 4(i) and (ii) only are capable of being) quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, provided that in the case of Condition 4(iii) Relevant Debt shall exclude (a) Indebtedness denominated, payable or optionally payable in Philippine Pesos and (b) if denominated, payable or optionally payable in U.S. dollars, Indebtedness in an aggregate principal amount not exceeding five per cent. of the consolidated total assets as shown in the latest audited balance sheet of the Issuer.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions:

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if **Actual/Actual (ICMA)** is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(b) if **30/360** is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(c) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365;

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the secured overnight financing rate (**SOFR**) or the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Notes (other than Floating Rate Notes which specify the Reference Rate as SOFR)

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as EURIBOR in the applicable Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations, (expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page (as specified in the applicable Pricing Supplement) as at 11.00 a.m. (Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, provided, however, that Condition 5.2(h) shall apply if the Issuer or its designee has determined that a Benchmark Event (as defined in such Condition) has occured.

(iii) Screen Rate Determination for Floating Rate Notes where the Reference Rate is specified as being SOFR Benchmark

Where Screen Rate Determination is specified as the manner in which the Rate of Interest is to be determined and the Reference Rate is specified as SOFR Benchmark in the applicable Pricing Supplement, the Rate of Interest for each Interest Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any), all as determined by the Calculation Agent on the relevant Interest Determination Date.

The **SOFR Benchmark** will be determined based on Simple SOFR Average, Compounded SOFR Average or Compounded SOFR Index, as follows (subject in each case to Condition 5.2(i) as further specified hereon):

(A) If **Simple SOFR Average** is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be the arithmetic mean of the SOFR reference rates for each U.S. Government Securities Business Day during such Interest Period, as calculated by the Calculation Agent, and where, if applicable and as specified in the applicable Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-off Date shall be used for the U.S. Government Securities Business Day in the relevant Interest Period from (and including) the SOFR Rate Cut-off Date to (but excluding) the last day of that Interest Period.

(B) If **Compounded SOFR Average** is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Period (where SOFR Lag, SOFR Payment Delay or SOFR Lockout is specified in the applicable Pricing Supplement to determine Compounded SOFR Average) or the SOFR Observation Period (where SOFR Observation Shift is specified in the applicable Pricing Supplement to determine Compounded SOFR Average).

Compounded SOFR Average shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified in the applicable Pricing Supplement:

(1) SOFR Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-\times USBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

$SOFR_{i-xUSBD}$ for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day "i";

Lookback Days means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement);

d means the number of calendar days in the relevant Interest Period;

d_0 for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

i means a series of whole numbers ascending from on to d0, representing each relevant U.S. Government Securities Business Days from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a U.S. Government Securities Business Day "i"); and

n_i for any U.S. Government Securities Business Day "i" means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day.

(2) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

$SOFR_i$ for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

SOFR Observation Period means, in respect of each Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the last day of such Interest Period;

SOFR Observation Shift Days means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement);

d means the number of calendar days in the relevant SOFR Observation Period;

$\mathbf{d_0}$ means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

i means a series of whole numbers ascending from one to do, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a U.S. Government Securities Business Day "i"); and

$\mathbf{n_i}$ for any U.S. Government Securities Business Day "i", means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day.

(3) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

$\mathbf{SOFR_i}$ for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i";

Interest Payment Date shall be the number of Interest Payment Delay Days following the date of each Specified Interest Period Date (as specified in the applicable Pricing Supplement); provided that the Interest Payment Date with respect to the final Interest Period will be the Maturity Date or the relevant date for redemption, as applicable;

Interest Payment Delay Days means five U.S. Government Securities Business Days (or such other number of Business Days as specified in the applicable Pricing Supplement);

d means the number of calendar days in the relevant Interest Period;

$\mathbf{d_0}$ means the number of U.S. Government Securities Business Days in the relevant Interest Period;

i means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a U.S. Government Securities Business Day "i"); and

$\mathbf{n_i}$ for any U.S. Government Securities Business Day "i", means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Period where SOFR Payment Delay is specified in the applicable Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-off Date.

(4) SOFR Lockout:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

$SOFR_i$ for any U.S. Government Securities Business Day "i" in the relevant Interest Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day "i", except that the SOFR for any U.S. Government Securities Business Day "i" in respect of the period from (and including) the SOFR Rate Cut-off Date to (but excluding) the last day of such Interest Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-off Date;

d means the number of calendar days in the relevant Interest Period;

d_0 means the number of U.S. Government Securities Business Days in the relevant Interest Period;

i means a series of whole numbers ascending from one to d0, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period (each a **U.S. Government Securities Business Day "i"**); and

n_i for any U.S. Government Securities Business Day "i", means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Conditions 5.2(b)(iii)(A) and 5.2(b)(iii)(B):

Reuters Page USDSOFR= means the Reuters page designated "USDSOFR=" or any successor page or service;

SOFR means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provisions:

(1) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(2) if the reference rate specified in (1) above does not appear and a SOFR Benchmark Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(3) if the reference rate specified in (1) above does not appear and a SOFR Benchmark Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5.2(i) shall apply;

SOFR Determination Time means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day; and

SOFR Rate Cut-off Date means the date that is five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement) prior to the Interest Payment Date relating to the relevant Interest Period, the Maturity Date or the relevant Optional Redemption Date, as applicable.

(C) If **Compounded SOFR Index** is specified as applicable in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)) and where:

SOFR Index means, with respect to any U.S. Government Securities Business Day the SOFR Index value as published on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day provided that:

(1) if the value specified above does not appear and a SOFR Benchmark Event and its related SOFR Benchmark Replacement Date have not occurred, the "Compounded SOFR Index" shall be calculated on any Interest Determination Date with respect to an Interest Period, in accordance with the Compounded SOFR Average formula described above in Condition 5.2(b)(iii)(B)(2) (SOFR Observation Shift), and the term "SOFR Observation Shift Days" shall mean five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement); or

(2) if the value specified above does not appear and a SOFR Benchmark Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5.2(i) (Benchmark Replacement for Floating Rate Notes (SOFR)) shall apply as specified in the applicable Pricing Supplement;

SOFR Index$_{End}$ means, in respect of an Interest Period, the SOFR Index value on the date that is five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement) preceding the last day of such Interest Period (or in the final Interest Period, the Maturity Date);

SOFR Index$_{Start}$ means, in respect of an Interest Period, the SOFR Index value on the date that is five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement) prior to the first day of the relevant Interest Period;

SOFR Index Determination Time means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

SOFR Observation Period means, in respect of an Interest Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of such Interest Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the last day of such Interest Period;

SOFR Observation Shift Days means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement); and

$\mathbf{d_c}$ means the number of calendar days in the applicable SOFR Observation Period.

The following defined terms shall have the meanings set out below for the purpose of this Condition 5.2(b)(iii)(C):

SOFR Administrator means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate;

SOFR Administrator's Website means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source;

SOFR Benchmark Replacement Date means the Benchmark Replacement Date (as defined in Condition 5.2(i)) with respect to the then-current SOFR Benchmark;

SOFR Benchmark Event means the occurrence of a Benchmark Event (as defined in Condition 5.2(i)) with respect to the then-current SOFR Benchmark; and

U.S. Government Securities Business Day or **USBD** means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than EURIBOR or SOFR, the Rate of Interest in such Notes will be determined as provided in the applicable Pricing Supplement.

(v) In the Conditions:

Reference Rate means the rate specified in the applicable Pricing Supplement; and

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Pricing Supplement or such successor or replacement page, section, caption, column or other part as may replace it on that information service.

(c) Minimum and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed zero.

(d) Determination of Rate of Interest and Calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the Interest Amount) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if **Actual/365 (Sterling)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if **Actual/360** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if **30/360, 360/360** or **Bond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1) + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D_2 will be 30;

(vi) if **30E/360** or **Eurobond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1) + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30; and

(vii) if **30E/360 (ISDA)** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y_2 - Y_1) + [30 \text{ x } (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y_1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y_2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M_1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M_2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D_1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

D_2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(f) Determination or Calculation by Trustee

If for any reason at any relevant time the Principal Paying Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Principal Paying Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Pricing Supplement, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall (or shall, at the expense of the Issuer, appoint an agent to) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Pricing Supplement), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Principal Paying Agent or the Calculation Agent, as applicable.

(g) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Principal Paying Agent or, if applicable, the Calculation Agent or the Trustee (or its agent), shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer, the Trustee, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents, the Transfer Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent, the Registrar, the other Paying Agents, the Transfer Agents or the Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions pursuant to such provisions.

(h) Benchmark Replacement (General)

In addition, notwithstanding the provisions above in this Condition 5, if the Issuer determines that a Benchmark Event has occurred when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply:

(i) the Issuer shall use reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine (acting in good faith and a commercially reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **IA Determination Cut-off Date**), a Successor Rate or, alternatively if there is no Successor Rate, an Alternative Reference Rate for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(ii) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate;

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(h)); provided, however, that if sub-paragraph (ii) applies and the Issuer is unable to or does not determine a Successor Rate or an Alternative Reference Rate prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest (if any)) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period and, if applicable, to any Maximum Rate of Interest and/or Minimum Rate of Interest applicable to the relevant Interest Period); for the avoidance of doubt, the proviso in this sub-paragraph (iii) shall apply to the relevant Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(h);

(iv) if the Independent Adviser or the Issuer determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) in accordance with the above provisions, the Independent Adviser or the Issuer (as applicable), may also specify changes to these Conditions (such changes and amendments, the **Benchmark Amendments**), including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, Business Days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the Notes, in order to follow market practice in relation to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Reference Rate (as applicable). If the Independent Adviser or the Issuer (as applicable) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread. For the avoidance of doubt, the Trustee and Principal Paying Agent shall, at the direction (subject to receipt by the Trustee of a certificate signed by two authorised signatories of the Issuer) and expense of the Issuer, effect the Benchmark Amendments and such consequential amendments to the Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5.2(h); provided that neither the Trustee nor the Principal Paying Agent shall be bound by or be obliged to give effect to any Benchmark Amendments or such consequential amendments if, in the opinion of the Trustee or, as the case may be, the Principal Paying Agent, the Benchmark Amendments or such consequential amendments would not be operable or doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or protective provisions afforded to the Trustee or, as the case may be, the Principal Paying Agent in these Conditions and/or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) and/or the Agency Agreement and/or any documents to which it is a party in any way. Noteholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable) or such other changes, including for the execution of any documents or other steps by the Trustee or Principal Paying Agent (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations or certifications by the Issuer or the Independent Adviser with respect to any Successor Rate or Alternative Rate (as applicable) or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard; and

(v) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), give notice thereof to the Trustee, the Principal Paying Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable) and any consequential changes made to these Conditions.

An Independent Adviser appointed pursuant to these Conditions will act as an expert and (in the absence of gross negligence, wilful default or fraud) shall have no liability whatsoever to the Trustee or the Noteholders for any determination made by it under these Conditions.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5.2(h), will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Paying Agents and, in accordance with Condition 14, the Noteholders or the Couponholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver a certificate signed by two authorised signatories of the Issuer (x) confirming (i) that a Benchmark Event has occurred; (ii) the Successor Rate or, as the case may be, the Alternative Rate; (iii) the applicable Adjustment Spread; and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with this Condition 5.2(h); and (y) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread. The Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof.

The Successor Rate, Alternative Rate, the Adjustment Spread or the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination thereof and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents, the Noteholders and Couponholders.

For the purposes of this Condition 5.2(h):

Adjustment Spread means a spread (which may be positive, negative or zero) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Reference Rate (as applicable) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer in its discretion (as applicable), determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

Alternative Reference Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the relevant Reference Rate in customary market usage in international debt capital markets transactions for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Period, or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in its discretion (acting in good faith and in a commercially reasonable manner) is most comparable to the relevant Reference Rate;

Benchmark Event means:

(i) the Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist;

(ii) a public statement by the administrator of the Reference Rate that it has ceased or that it will cease publishing the Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Reference Rate);

(iii) a public statement by the supervisor of the administrator of the Reference Rate, that the Reference Rate has been or will be permanently or indefinitely discontinued;

(iv) a public statement by the supervisor of the administrator of the Reference Rate as a consequence of which the Reference Rate will be prohibited from being used either generally, or in respect of the Notes;

(v) a public statement by the supervisor of the administrator of the Reference Rate that the Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(vi) it has become unlawful for any Paying Agent, the Calculation Agent(s) or the Issuer to calculate any payments due to be made to any Noteholder using the Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Reference Rate, or the discontinuation of the Reference Rate, as the case may be; (b) in the case of paragraph (iv) on the date of the prohibition of use of the Reference Rate; and (c) in the case of paragraph (v) above, on the date with effect from which the Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent(s) and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent(s) nor the Paying Agents shall have any responsibility for making such determination;

Independent Adviser means an independent financial institution of international repute or an independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense;

Relevant Nominating Body means, in respect of the Reference Rate:

(i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of:

(A) the central bank for the currency to which the Reference Rate relates;

(B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate (as applicable);

(C) a group of the aforementioned central banks or other supervisory authorities; or

(D) the Financial Stability Board or any part thereof; and

Successor Rate means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(i) Benchmark Replacement (SOFR)

The following provisions shall apply if Benchmark Discontinuation (SOFR) is specified in the applicable Pricing Supplement:

(i) Benchmark Replacement

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. At the request of the Issuer, but subject to receipt by the Trustee, the Principal Paying Agent and the Calculation Agent of a certificate signed by two authorised signatories of the Issuer, the Trustee, the Principal Paying Agent and the Calculation Agent shall (at the expense and direction of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with such determination by the Issuer or its designee in using its reasonable endeavours in effecting any Benchmark Replacement Conforming Changes (including, inter alia, by the execution of a deed and/or agreement supplemental to or amending the Trust Deed and/or Agency Agreement) and the Trustee, the Principal Paying Agent and the Calculation Agent shall not be liable to any party for any consequences thereof, provided that the Trustee, the Principal Paying Agent and the Calculation Agent shall not be obliged so to concur if, in the opinion of the Trustee, the Principal Paying Agent and/or the Calculation Agent doing so would impose more onerous obligations upon them or expose them to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to them in the Conditions, the Trust Deed, the Agency Agreement and/or any documents to which it is a party (including, for the avoidance of doubt, any supplemental trust deed and/or agency agreement) in any way.

Noteholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by the Trustee and the Agents (if required). Further, none of the Trustee, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(iii) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5.2(i), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (1) will be conclusive and binding absent manifest error, (2) will be made in the sole discretion of the Issuer or its designee, as applicable, and (3) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party.

(iv) Certain Defined Terms:

As used in this Condition 5.2(i):

Benchmark means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then "Benchmark" means the applicable Benchmark Replacement;

Benchmark Replacement means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the sum of:

(1) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(2) the Benchmark Replacement Adjustment;

(B) the sum of:

(1) the ISDA Fallback Rate; and

(2) the Benchmark Replacement Adjustment;

(C) the sum of:

(1) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar- denominated Floating Rate Notes at such time; and

(2) the Benchmark Replacement Adjustment; or

(D) the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Period (or alternatively, if there has not been a first Interest Payment Date, the rate of interest shall be the initial Rate of Interest (if any)) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Period for the Margin that is to be applied to the relevant Interest Period and, if applicable, to any Maximum Rate of Interest and/or Minimum Rate of Interest applicable to the relevant Interest Period);

Benchmark Replacement Adjustment means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(A) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(B) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(C) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time;

Benchmark Replacement Conforming Changes means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determine that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

Benchmark Replacement Date means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) in the case of sub-paragraph (A) or (B) of the definition of "Benchmark Transition Event", the later of:

(1) the date of the public statement or publication of information referenced therein; and

(2) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(B) in the case of sub-paragraph (C) of the definition of "Benchmark Transition Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

designee means a designee as selected and separately appointed by the Issuer in writing;

Benchmark Transition Event means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(A) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(B) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(C) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

ISDA Definitions means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

ISDA Fallback Adjustment means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

ISDA Fallback Rate means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

Reference Time with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Compounded SOFR Average is specified in the applicable Pricing Supplement) or SOFR Index Determination Time (where Compounded SOFR Index is specified in the applicable Pricing Supplement), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes;

Relevant Governmental Body means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

Unadjusted Benchmark Replacement means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

5.5 Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) as provided in the Trust Deed.

5.6 Definitions

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred;

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day;

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Financial Centre specified in the applicable Pricing Supplement; and

(b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System or any successor system (the **TARGET 2 System**) is open.

6. PAYMENTS

6.1 Method of Payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) and law implementing an intergovernmental approach thereto. Presentation of Definitive Bearer Notes, Receipts and Coupons

6.2 Presentation of Definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principals (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the Register) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the principal amount of the Notes held by a holder is less than US$250,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank (as defined below). For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively), (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the Business Day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, on the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

Holders of Registered Notes will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Registered Note as a result of a cheque posted in accordance with this Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer, the Trustee, the Registrar, any Transfer Agent or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General Provisions Applicable to Payments

The holder of a Global Note (or as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of the Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation; and

(ii) each Additional Financial Centre specified in the applicable Pricing Supplement; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively; or (B) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

6.7 Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.5); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for Tax Reasons

Subject to Condition 7.5, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note), on giving not less than the minimum period of notice (which period must not be at least five Business Days) and not more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee, the Registrar (if applicable) and the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes for such Series; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (1) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment; and the Trustee shall be entitled without further action or enquiry to accept the certificate and the opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event the certificate shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if any) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period of notice (which period must be at least five Business Days) nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Noteholders in accordance with Condition 14, (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and/or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes (or, as the case may be, parts of Registered Notes), the Notes to be redeemed (**Redeemed Notes**) will be selected by the Trustee may approve and in such manner as it deems fit (and if the Notes are listed on any securities exchange, in compliance with the requirements of the principal securities exchange on which the Notes are then traded), in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream (as appropriate), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called **the Selection Date**). In the case of Redeemed Notes represented by definitive Notes, the Issuer will ensure that a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. The aggregate nominal amount of Redeemed Notes represented by definitive Notes or represented by a Global Note shall in each case bear the same proportion to the aggregate nominal amount of all Redeemed Notes as the aggregate nominal amount of definitive Notes outstanding and Notes outstanding represented by such Global Note, respectively, bears to the aggregate nominal amount of the Notes outstanding, in each case on the Selection Date, provided that, if necessary, appropriate adjustments shall be made to such nominal amounts to ensure that each represents an integral multiple of the Specified Denomination. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Noteholders or any other person for not doing so.

7.4 Redemption of the Senior Notes at the Option of the Noteholders (Investor Put)

(a) If an Investor Put is specified as being applicable in the applicable Pricing Supplement

If an Investor Put is specified as being applicable in the applicable Pricing Supplement with respect to Senior Notes only, upon the holder of any Senior Notes giving notice to the Issuer in accordance with Condition 14 not less than the minimum period of notice (which period must be at least fifteen Business Days) nor more than the maximum period of notice specified in the applicable Pricing Supplement (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Pricing Supplement, such Senior Note on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

(b) Put Option Exercise Procedures

To exercise the right to require redemption of a Senior Note the holder of the Senior Note must:

(i) if the Senior Note is in definitive form, deliver a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a **Put Notice**) accompanied by the definitive Senior

Note, to the specified office of any Paying Agent in the case of Bearer Notes, or of any Transfer Agent or the Registrar in the case of Registered Notes; or

(ii) if the Senior Note is represented by a Global Note held on behalf of Euroclear or Clearstream, give a Put Notice in accordance with the standard procedures of Euroclear or Clearstream (which may include notice being given on his instruction by electronic means) accompanied by the relevant Global Note for notation accordingly to the specified office of any Paying Agent,

at any time within the notice period during normal business hours of such Paying Agent, Transfer Agent or the Registrar. In the Put Notice the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition, and in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2. If the Senior Note is in definitive bearer form, the Put Notice must be accompanied by the Senior Note or evidence satisfactory to the Paying Agent concerned that this Senior Note will, following delivery of the Put Notice, be held to its order or under its control.

7.5 Early Redemption Amounts

For the purpose of Conditions 7.2 and 7.4 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the Amortised Face Amount) calculated in accordance with the following formula:

$$\textit{Early Redemption Amount} = RP \times (1 + AY)^{y}$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.6 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.5 above.

7.7 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

7.8 Purchases

Subject to applicable laws, the Issuer or any Subsidiary of the Issuer may at any time purchase Senior Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent and/or the Registrar for cancellation.

7.9 Cancellation

All Notes which are redeemed or purchased in accordance with Condition 7.8 above will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.8 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and may not be reissued or resold.

7.10 Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 7.1, 7.2 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Trustee or the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

8.1 Payment without Withholding

All payments of principal, premium and interest by or on behalf of the Issuer in respect of the Notes, Receipts and Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any Tax Jurisdiction, unless such withholding or deduction is required by the law of any Tax Jurisdiction. Where such withholding or deduction is made by the Issuer at the rate of up to and including the rate in effect in a Tax Jurisdiction as of the respective dates on which agreement is reached to issue the first Tranche of the Notes for such Series, the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by the holders of the Notes, Receipts or Coupons equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. In the event that the Issuer makes a deduction or withholding required by the law of any Tax Jurisdiction in excess of the rate in effect in such Tax Jurisdiction as of the respective dates on which agreement is reached to issue the first Tranche of the Notes for such Series, the Issuer shall pay such additional amounts (the **Additional Amounts**) as will result in receipt by the holders of the Notes, Receipts or Coupons of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Note, Receipt or Coupon:

(a) presented for payment in the Republic of the Philippines;

(b) **Other connection**: to or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(c) **Surrender more than 30 days after the Relevant Date**: presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the relevant Note, Receipt or Coupon for payment on the last day of such period of 30 days assuming that day to have been a Payment Day (as defined in Condition 6.6).

8.2 Interpretation

As used herein:

(i) **Tax Jurisdiction** means the Philippines or any political subdivision or any authority thereof or therein having power to tax; and

(ii) **Relevant Date** in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders in accordance with Condition 14 that, upon further surrender of the relevant Note, Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

8.3 Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, any Noteholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8.2) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default relating to Senior Notes

This Condition 10.1 applies only to Notes specified in the applicable Pricing Supplement as being Senior Notes.

If any of the following events (each a **Senior Note Event of Default**) occurs and is continuing the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Senior Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified, secured and/or prefunded to its satisfaction), give notice in writing to the Issuer that each Senior Note is, and each Senior Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed:

(a) **Non-Payment**: there is failure to pay the principal or interest on any of the Senior Notes when due and, in the case of failure to pay interest, such failure continues for a period of fourteen days;

(b) **Breach of Other Obligations**: the Issuer defaults in the performance or observance of, or compliance with, any one or more of its other obligations under the Conditions or the Trust Deed, which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee;

(c) **Cross-Default**: (i) any other present or future Indebtedness the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount the relevant indebtedness, guarantees and indemnities in respect of one or more events mentioned above in this subparagraph (c) exceeds US$10,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates);

(d) **Judgment, Decree or Order**: a final judgment, decree or order has been entered against the Issuer or any Subsidiary of the Issuer by a court of competent jurisdiction from which no appeal may be made or is taken for the payment of money in excess of US$10,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates) and any relevant period specified for payment of such judgment, decree or order shall have expired without it being satisfied, discharged or stayed;

(e) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or any Material Subsidiary of the Issuer and is not discharged or stayed within 60 days of having been so levied, enforced or sued;

(f) **Security Enforced**: any Security, present or future, created or assumed by the Issuer or any Material Subsidiary of the Issuer becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person) and the indebtedness secured by the Security is not discharged or such steps stayed within 60 days of such steps being so taken;

(g) **Insolvency**: the Issuer or any Material Subsidiary of the Issuer (i) is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, (ii) stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, (iii) proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), (iv) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts, or (v) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any Material Subsidiary of the Issuer;

(h) **Winding-up**: an order of a court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any Material Subsidiary of the Issuer, or the Issuer or any Material Subsidiary of the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by (i) a reconstruction, amalgamation, reorganisation, merger or consolidation (x) on terms approved by a resolution of the Noteholders, or (y) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary pursuant to a merger of the Material Subsidiary with the Issuer or such other Subsidiary or by way of a voluntary winding-up or dissolution where there are surplus assets in such Material Subsidiary and such surplus assets attributable to the Issuer and/or any other Subsidiary are distributed to the Issuer and/or any such other Subsidiary or (ii) a merger or consolidation with respect to the Issuer which is not materially prejudicial to the interests of the Noteholders;

(i) **Bankruptcy Proceedings**: proceedings shall have been initiated against the Issuer or any Material Subsidiary of the Issuer under any applicable bankruptcy, insolvency, reorganisation law and such proceedings shall not have been discharged or stayed within a period of 60 days;

(j) **Validity**: the Issuer shall contest in writing the validity or enforceability of any of the Senior Notes or shall deny generally in writing the liability of the Issuer, under any of the Senior Notes;

(k) **Illegality**: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Senior Notes;

(l) **Consent and authorisations:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes; (ii) to ensure that those obligations are legally binding and enforceable, and to make the Notes admissible in evidence in the courts of England is not taken, fulfilled or done; or

(m) **Analogous Events**: any event occurs, which, under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10.1.

In these Conditions, a **Material Subsidiary** means, at any time, any Subsidiary of the Issuer:

(i) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statements is at least 5% of the consolidated revenue as shown by the latest published audited consolidated income statements of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests;

(ii) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statements is at least 5% of the consolidated net profit as shown by the latest published audited consolidated income statements of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(iii) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least 5% of the amount which equals the amount included in the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries including, for the avoidance of doubt, the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests;

provided that, in relation to paragraphs (i), (ii) and (iii) above of this definition:

(A) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(B) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, net profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Issuer;

(C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Issuer;

(D) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer prepared for this purpose by or on behalf of the Issuer; and

(E) in the case of a Subsidiary to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall become a Material Subsidiary upon such transfer but shall cease to be a Material Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Material Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition.

Issuer has undertaken in the Trust Deed that, so long as any Senior Note remains outstanding, annually and also within 14 days after any request by the Trustee, it will send to the Trustee a certificate signed by an authorised officer of the Issuer to the effect that as at a date not more than five days prior to the date of the certificate no Senior Note Event of Default or event or circumstance that could with the giving of notice, lapse of time and/or issue of a certificate become a Senior Note Event of Default has occurred.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified, secured and/or prefunded to its satisfaction against all actions, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including but not limited to legal fees) and liabilities which may be incurred.

Neither the Trustee nor any Agent shall be required to take any steps to ascertain whether any Senior Note Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred and none of them shall be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

10.3 Interpretation

In these Conditions:

(a) **Event of Default** shall mean a Senior Note Event of Default;

(b) **Winding-Up** shall mean, with respect to the Issuer, a final, unappealable and executory order or resolution of any court or agency or supervisory authority in the Philippines for the bankruptcy, suspension of payment, rehabilitation, winding-up, liquidation, receivership or similar proceeding in respect of the Issuer (except for the purposes of a consolidation, amalgamation, merger or reorganisation the terms of which have previously been approved by an Extraordinary Resolution of the Noteholders); and

(c) **Winding-Up Proceedings** shall mean, with respect to the Issuer, (a) a proceedings shall have been instituted or a decree or order shall have been entered in any court or agency or supervisory authority in the Philippines having jurisdiction in respect of the same for the appointment of a receiver or liquidator in any insolvency, rehabilitation, suspension of payments, readjustment of debt, marshalling of assets and liabilities, or similar arrangements involving the Issuer or all or substantially all of its property, or for the winding up of or liquidation of its affairs and such proceeding, decree or order shall not have been vacated; or (b) the Issuer shall file a petition to take advantage of any insolvency or similar statute.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or of the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS

The Issuer is entitled, with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed), to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar or Transfer Agents and/or appoint additional or other Paying Agents, Registrars or Transfer Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent with a specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority; and

(c) so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST require, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST.

In addition, the Issuer shall with the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed) forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Any variation, termination, appointment or change referred to in the preceding paragraph and/or any appointment referred to in this paragraph shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents, the Registrar and the Transfer Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia. It is expected that such publication will be made in the *Asian Wall Street Journal*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, be substituted for such mailing and such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on such day as specified in the applicable Pricing Supplement after the day on which the said notice was given to Euroclear and/or Clearstream.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 14.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

15.1 Meeting of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than ten per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is two or more persons holding or representing in the aggregate not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts, the Coupons or the Trust Deed (including, *inter alia*, modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be two or more persons holding or representing in the aggregate not less than 75 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting two or more persons holding or representing in the aggregate not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

15.2 Modifications and Waivers

The Trustee may agree, without the consent or sanction of the Noteholders, Receiptholders or Couponholders, to any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and any Noteholder, Receiptholder or Couponholder shall not be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

15.3 Substitution of Issuer

The Trustee may, subject to the prior written approval of the BSP (if and to the extent then required), without the consent of the Noteholders, the Receiptholders or the Couponholders at any time, agree with the Issuer to the substitution in place of the Issuer (or of the previous substitute under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed of any entity owned or controlled by the Issuer, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

15.4 General

Any such modification, waiver, authorisation, determination or substitution shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be promptly notified to Noteholders by the Issuer in accordance with Condition 14.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or provided with security and/or prefunded to its satisfaction, as well as the priority in payment or satisfaction of all costs, charges, expenses (including legal expenses) and liabilities due to or incurred and payments made by the Trustee.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into transactions or arrangements with the Issuer and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions an arrangements or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be in any way liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, credit worthiness, condition, affairs and nature of the Issuer. The Trustee shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Trustee in respect thereof.

The Trustee may rely, without liability to Noteholders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely (without further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing Law

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

19.2 Submission to Jurisdiction

The Issuer has in the Trust Deed agreed, for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) may be brought in the English courts.

The Issuer has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or hereafter to the laying of the venue of any Proceedings (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons) arising out of or in connection with the Trust Deed, the Notes, the Receipts and the

Coupons in the courts of England and any claim that any such Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed in the Trust Deed that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

19.3 Appointment of Process Agent

The Issuer has, in the Trust Deed, irrevocably and unconditionally appointed BPI Europe plc at its specified office for the time being at 6th Floor, 95 Aldwych London, WC2B 4JF, United Kingdom as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

19.4 Waiver of Immunity

The Issuer irrevocably and unconditionally waives with respect to the Trust Deed, the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present selected consolidated financial information of the Bank and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Offering Circular and the section entitled "Description of the Bank" in this Offering Circular. The selected financial information presented below as of and for the years ended 31 December 2021, 2022 and 2023 were derived from the audited consolidated financial statements prepared in accordance with PFRS, and audited by Isla Lipana & Co., in accordance with PSA. The selected financial information set out below does not purport to project the consolidated results of operations or financial position of the Bank for any future period or date. Translations from Pesos to US dollars have been made at the BSP Rate on 29 December 2023 of ₱55.567 to US$1.00.

SELECTED CONSOLIDATED STATEMENTS OF INCOME

	For the years ended 31 December			
	2021	**2022**	**2023**	**2023**
	(₱ millions, except for earnings per share) (audited)			**(in US$ millions, except for earnings per share) (unaudited)**
Interest income on				
Loans and advances	72,225	84,909	120,900	2,176
Investment securities	10,436	16,863	21,737	391
Deposits with BSP and other banks	1,956	1,496	2,935	53
	84,617	103,268	145,572	2,620
Interest and finance charges				
Deposits	10,168	14,821	36,027	648
Bills payable and other borrowed funds	4,866	3,381	5,195	93
	15,034	18,202	41,222	742
Net interest income	**69,583**	**85,066**	**104,350**	**1,878**
Provision for credit and impairment losses	**13,135**	**9,167**	**4,000**	**72**
Net interest income after provision for credit and impairment losses	**56,448**	**75,899**	**100,350**	**1,806**
Other income				
Fees and commissions	11,204	11,339	12,717	229
Income from foreign exchange trading	2,384	2,617	3,223	58
Securities trading gain	97	857	1,919	35
Income attributable to insurance operations	1,854	1,379	1,843	33
Net gains on disposals of investment securities at amortized costs	1,513	214	2	-
Other operating income	10,770	17,053	14,267	257
	27,822	33,459	33,971	611
Other expenses				
Compensation and fringe benefits	18,528	19,528	23,221	418
Occupancy and equipment-related expenses	16,010	18,761	22,012	396
Other operating expenses	16,195	19,701	23,877	430
	50,733	57,990	69,110	1,244
Profit before income tax	**33,537**	**51,368**	**65,211**	**1,174**
Income tax expense				
Current	8,328	12,438	13,934	251
Deferred	1,099	(906)	(635)	(11)
	9,427	11,532	13,299	239
Net income after tax	**24,110**	**39,836**	**51,912**	**934**
Income attributable to:				
Equity holders of the Bank	23,880	39,605	51,687	930
Non-controlling interest	230	231	225	4
	24,110	39,836	51,912	934

STATEMENTS OF CONDITION

	As of 31 December			
	2021	2022	2023	2023
		(₱ millions) (audited)		(US$ millions) (unaudited)
Assets				
Cash and other cash items	35,143	39,613	34,843	627
Due from BSP	268,827	182,869	199,619	3,592
Due from other banks	34,572	45,190	36,292	653
Interbank loans receivable and securities purchased under agreements to resell	30,852	12,382	20,643	371
Financial assets at fair value through profit or loss	21,334	22,133	23,654	426
Financial assets at fair value through other comprehensive income	134,741	95,267	218,654	3,935
Investment securities at amortized cost, net	338,672	420,533	382,711	6,887
Loans and advances, net	1,476,527	1,702,990	1,882,007	33,869
Assets held for sale, net	3,282	3,760	4,743	85
Bank premises, furniture, fixtures and equipment, net	17,525	19,355	19,751	355
Investments in subsidiaries and associates, net	7,165	7,227	8,287	149
Assets attributable to insurance operations	17,563	19,060	19,067	343
Deferred income tax assets, net	15,819	16,752	18,185	327
Other assets, net	19,893	16,830	19,916	358
Total assets	**2,421,915**	**2,603,961**	**2,888,372**	**51,980**
Liabilities and Capital Funds				
Liabilities				
Deposit liabilities	1,955,147	2,096,001	2,295,106	41,303
Derivative financial liabilities	3,632	4,297	2,821	51
Bills payable and other borrowed funds	95,039	97,503	137,104	2,467
Due to BSP and other banks	953	2,887	1,881	34
Manager's checks and demand drafts outstanding	6,931	6,755	8,463	152
Accrued taxes, interest and other expenses	8,413	10,587	14,973	269
Liabilities attributable to insurance operations	13,242	14,919	15,202	274
Deferred credits and other liabilities	43,402	51,208	53,452	962
Total liabilities	**2,126,759**	**2,284,157**	**2,529,002**	**45,513**
Capital funds attributable to the equity holders of the Bank				
Share capital	45,131	49,193	49,307	887
Share premium	74,934	104,123	113,414	2,041
Treasure shares	-	(33,043)	-	-
Reserves	564	644	643	12
Accumulated other comprehensive loss	(8,670)	(14,256)	(11,127)	(200)
Surplus	181,101	211,061	204,967	3,689
	293,060	**317,722**	**357,204**	**6,428**
Non-controlling interests	**2,096**	**2,082**	**2,166**	**39**
Total capital funds	295,156	319,804	359,370	6,467
Total liabilities and capital funds	**2,421,915**	**2,603,961**	**2,888,372**	**51,980**

SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the years ended 31 December			
	2021	2022	2023	2023
		(₱ millions) (audited)		(US$ millions) (unaudited)
Net cash provided by (used in) operating activities	206,480	(43,418)	72,963	1,311
Net cash provided by (used in) investing activities	(104,437)	(40,718)	(79,269)	(1,425)
Net cash provided by (used in) financing activities	(66,676)	(8,697)	21,668	390
Cash and cash equivalents at beginning of the year	330,586	365,953	273,120	4,915
Cash and cash equivalents at end of the year.........	365,953	273,120	288,482	5,192

SELECTED CONSOLIDATED FINANCIAL RATIOS AND PER SHARE DATA

	As of and for the years ended 31 December		
	2021	2022	2023
		(audited)	
Return on average assets[1]	1.1%	1.6%	1.9%
Return on average equity[2]	8.4%	13.1%	15.3%
Net interest margin[3]	3.3%	3.6%	4.1%
Cost-to-income ratio[4]	52.1%	48.9%	50.0%
Gross loans to deposits[5]	77.9%	83.5%	83.9%
Tier 1 capital adequacy ratio[6]..	15.8%	15.1%	15.3%
Total capital adequacy ratio[7]...	16.7%	16.0%	16.2%
Total tangible capital funds to total tangible assets[8]	12.1%	12.2%	12.4%
Total gross non-performing loans (90-day) to total gross loans[9] .	2.5%	1.8%	1.8%
Allowances for credit losses to total gross loans[10]	3.4%	3.2%	2.9%
Allowances for credit losses to total gross non-performing loans (90-day)[11]	136.1%	180.1%	156.1%
Specific provisions to gross loans...	3.5%	3.3%	3.0%
Dividend payout ratio[12]	37.9%	40.1%	40.2%
Dividend per Share (₱)	₱1.80	₱2.12	₱3.36
Basic and diluted earnings per share attributable to the equity holders of BPI during the year (₱)[13]	₱5.29	₱8.78	₱10.90

Notes:

(1) Net income divided by average total assets for the period indicated. Average total assets is based on the monthly average balance of total assets for the years ended 31 December 2021, 2022 and 2023.

(2) Net income divided by average total equity for the period indicated. Average total equity is based on the monthly average balance of equity for the years ended 31 December 2021, 2022 and 2023.

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

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

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

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

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

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

(9) Total gross non-performing loans (90-day NPLs) divided by total receivable from customers net of unearned interest and discount. Data as of 31 December 2023 is based on BSP Circular No. 941.

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

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

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

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

USE OF PROCEEDS

The net proceeds from each issue of the Notes will be used by the Issuer for general corporate purposes.

If, in respect of any particular issue, there is a particular identified use of proceeds, including any Eligible Green Projects and/or Eligible Social Projects (see "*Sustainable Funding Framework*"), this will be stated in the applicable Pricing Supplement. **Eligible Green Projects** include qualifying assets and projects related to the development, construction and production of the components, acquisitions and operation of projects relating to (a) renewable energy, (b) energy efficiency, (c) sustainable water and wastewater management, (d) pollution prevention and control or (e) green buildings. **Eligible Social Projects** include (a) the financing of certain Micro, Small and Medium Enterprises (**MSMEs**) and (b) the financing of MSMEs in support of gender equality. With respect to refinancing, only financing for Eligible Green Projects or Eligible Social Projects originally made within two and a half years of the issue date of the relevant Tranches of Notes will be designated as **Green Bonds**, **Social Bonds** or **Sustainable Bonds**, as the case may be. See "*Sustainable Funding Framework*".

The Lead Arrangers and the Dealers have not separately verified nor will make any assurance as to (i) whether the Green Bonds, Social Bonds or Sustainable Bonds issued under the Sustainable Finance Framework will meet investor criteria and expectations regarding sustainable development for any investors, (ii) whether the net proceeds from the Green Bonds, Social Bonds or Sustainable Bonds issued under the Sustainable Finance Framework will be used to finance and/or re-finance eligible assets or (iii) the characteristics of eligible assets, including their sustainable development criteria.

SUSTAINABLE FUNDING FRAMEWORK

The Issuer has published a sustainable funding framework, which can be obtained from the Issuer and may also be available on the Issuer's website (www.bpi.com.ph). The contents of the Issuer's website do not form part of this Offering Circular and is not incorporated by reference in it.

None of the Lead Arrangers or the Dealers have reviewed the Sustainable Finance Framework or assessed whether any Green Bonds, Social Bonds or Sustainable Bonds would comply with the Sustainable Finance Framework or any investors' green investment requirements.

No assurance or representation is given by the Lead Arrangers or the Dealers as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Green Bonds, Social Bonds or Sustainable Bonds. For the avoidance of doubt, any such opinion or certification is not, nor shall it be deemed to be, incorporated in and/or form part of any applicable Pricing Supplement. Any such opinion or certification is not, nor should it be deemed to be, a recommendation by the Lead Arrangers or the Dealers to buy, sell or hold any such any Green Bonds, Social Bonds or Sustainable Bonds. The Noteholders have no recourse against the Lead Arrangers or the Dealers for the contents of any such opinion or certification. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in any any Green Bonds, Social Bonds or Sustainable Bonds. Currently, the providers of such opinions and certifications are not subject to any specific or regulatory or other regime or oversight.

No assurance is given by the Lead Arrangers or the Dealers that the use of the proceeds of issue of any Green Bonds, Social Bonds or Sustainable Bonds will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates. The Lead Arrangers and the Dealers will not have any responsibility for monitoring the application of any such proceeds.

Please see also "Investment Considerations – Risks Relating to the Notes issued as Green, Social or Sustainability Bonds – Notes issued as "Green Bonds," "Social Bonds" or "Sustainability Bonds" may not be a suitable investment for all investors seeking exposure to green or social assets."

The Bank recognises the importance of creating value not only for its businesses, but also for its stakeholders, the environment, and the communities in which it operates. It strives to have sustainability at the core of its corporate strategies, ultimately balancing its growth aspirations with its environmental and social responsibility.

The Bank promotes investments in businesses, industries, and projects that contribute to the United Nations Sustainable Development Goals (**UN SDG**s). BPI's largest shareholder, Ayala Corporation, is a founding member of the UN Global Compact Network Philippines. The Bank established a Sustainable Funding Framework under which it may issue (i) Green Bonds to fund selected Eligible Green Projects, (ii) Social Bonds to fund selected Eligible Social Projects or (iii) Sustainability Bonds to fund selected Eligible Green Projects and/or Eligible Social Projects, as the case may be.

An amount equal to the aggregate net proceeds from the issuance of every Green, Social, and Sustainability Bond will be used to finance or refinance, in whole or in part, projects under any of the Eligible Project Categories below. Projects financed or refinanced may be under BPI or under any of its subsidiaries. With respect to refinancing, only financing originally made within two and a half years of the issue date of each relevant Green, Social, or Sustainability Bond will qualify.

Eligible Project Categories

	Category	**Sub-category**	**Description**
Eligible Green Projects			
1	Renewable Energy	Energy Production	Solar Energy
			Wind Energy
			Geothermal Energy (direct emissions < 100g CO_2/kWh)

			Run-of-river Hydro Energy (without pondage)
		Transmission, Distribution and Smart Grid	Building, the operation and the maintenance of electric power distribution, transmission networks and smart metering systems, that contribute to: A. Connecting renewable energy production units to the general network; and B. improving networks in terms of demand-size management and energy efficiency
2	Energy Efficiency	Lighting	Refurbishment or renovation of properties in order to improve energy efficiency (at least 15% energy savings or compliance with International Finance Corporation Excellence in Design for Greater Efficiencies (**IFC EDGE**) standards)
		Heating, Ventilation, and Airconditioning Systems (**HVAC**)	
		High Efficiency Motors (**HEMS**)	
3	Sustainable Water & Wastewater Management	Wastewater Treatment	Production and treatment of water
		Integrated Water Management	Water efficiency systems
		Sustainable Urban Drainage Systems	Mains rehabilitation, leakage prevention
4	Pollution Prevention & Control	Not applicable	Waste management and recycling projects
5	Green Buildings	Certified Leadership in Energy and Environmental Design (**LEED**) "Gold"	Financing or refinancing of development, acquisition, construction, renovation or otherwise completed residential, public, commercial and industrial properties that have or will receive (i) design stage certification, (ii) post-construction certification and/or (iii) in-use certification in any of the aforementioned building certification schemes at the defined threshold level or better
		Excellence in Design for Greater Efficiencies (**EDGE**) Certified or EDGE Compliant Buildings, as determined by a third party	
		Other national equivalent such as Building for Ecologically Responsive Design Excellence (**BERDE**)	

The net proceeds of any Green, Social, and Sustainability Bond shall not be used towards financing and/or refinancing of fossil fuel related assets and activities.

Eligible Social Projects			
1	Financing MSMEs	Not Applicable	Loans to MSMEs that meet the following qualifications: ▪ Meet the qualifications as set by government entities such as the BSP or the Philippine SEC; and ▪ Entrepreneurs or business entities disadvantaged by disasters triggered by natural hazards such as, but not limited to, COVID-19 (i.e., community quarantine, social distancing, etc.) with significant consequences on the people, public health, infrastructure, assets, or the economy
2	Financing Projects in	Not Applicable	Loans to MSMEs led by women

	Support of Gender Equality		

The net proceeds of any Social and Sustainability Bond shall not be used towards financing and/or refinancing of activities related to alcohol, gambling, tobacco, and weaponry.

The Bank reserves the right to choose the most efficient way of transferring cash between entities to fund Eligible Green Projects and Eligible Social Projects.

Process for Project Evaluation and Selection

On a semi-annual basis, the Bank's Sustainable Funding Committee (**SFC**) convenes to validate and approve historical enrolments or to move for the disenrollment or replacement of paid off or disqualified loans. SFC likewise reviews the monitoring and reporting of issued Green, Social, and Sustainability Bonds and the deployment of net proceeds to reimbursed Eligible Green Projects and Eligible Social Projects, until all proceeds are accounted for.

The Bank ensures that all loans included for allocation under the Green Finance Portfolio and the Social Finance Portfolio comply with national, local, and environmental laws, as applicable, at the time of issuance.

a. Green Projects

The Bank's Sustainable Development Finance Team (**SDF**) is responsible for identifying, evaluating and nominating potential Eligible Green Projects for inclusion in the Green Finance Portfolio to be financed. As part of the process, the Bank works with technical consultants to review and evaluate the project details and ensure that the project meets the eligibility requirements under the Sustainable Funding Framework.

The SDF Head validates and signs off on the list of Eligible Green Projects to be included in the Green Finance Portfolio.

b. Social Projects

The Bank's Business Banking Segment is responsible for identifying, evaluating and nominating potential Eligible Social Projects for inclusion in the Social Finance Portfolio to be financed.

The Head of the Business Banking Marketing, Systems Planning and Product Integration, Products, and Campaigns Team validates and signs off on the list of Eligible Social Projects to be included in the Social Finance Portfolio.

Management of Proceeds

An amount equal to the net proceeds will be allocated to finance and/or refinance designated Eligible Green / Social Projects, as relevant, across the Bank, selected in accordance with the Eligibility Criteria, and using the evaluation and selection process mentioned above.

Payment of principal and interest on the Green, Social, and Sustainability Bonds will be made from the Bank's general funds and will not be directly linked to the performance of any one specific Eligible Green/Social Project.

a. Tracking of Proceeds

The Bank will monitor the allocation of an amount equal to the proceeds via internal information systems. A register will be created to facilitate the monitoring and reporting of any Green, Social, or Sustainability Bonds and the deployment of an amount equal to the net proceeds.

The register for any issued Green, Social, or Sustainability Bonds will include, among others:

i. Green, Social, and Sustainability Bond details: including ISIN, issue date, maturity date, principal amount and coupon;

ii. Eligible Green/Social Project list;

iii. Eligible Green/Social Project categories;

iv. the regions in which the projects are located, as applicable;

v. the amount of net proceeds allocated to the projects;

vi. the date of allocation and foreign exchange rates; and

vii. environmental certification of the project (if applicable).

b. Use of Unallocated Proceeds

Pending any allocation or reallocation, an amount equal to the net proceeds from any Green, Social and/or Sustainability Bonds may be invested in cash or cash equivalents or used to repay existing borrowings under general credit facilities of the Bank.

These funds will be managed according to the Bank's internal liquidity management policies and may be transferred to subsidiaries of BPI.

c. Substitution of Assets

The Bank will allocate an amount equal to the net proceeds to assets or projects that comply with the eligibility criteria as soon as reasonably practicable, reallocating to replacement assets or projects in the event that a previously allocated asset or project is sold or no longer available.

Reporting

a. Allocation Reporting

At least annually, until an amount equal to the net proceeds has been allocated, and thereafter, in the event of material changes, the Bank will provide information on the allocation of an amount equal to the net proceeds of any Green, Social and/or Sustainability Bonds on its website and/or in BPI's annual report. The information will contain at least the following details:

i. a list of approved Eligible Green/Social Projects, including amounts allocated (or aggregated in the case of MSME lending); and

ii. remaining balance of unallocated proceeds.

Where possible, the Bank will also provide additional information, case studies or examples of select projects, subject to considerations such as competition and confidentiality agreements.

The annual reporting will be reviewed and approved by the SFC and the Bank's senior management.

For each Green, Social, and Sustainability Bond issuance, the Bank intends to engage an external auditor to provide independent verification on its reporting and management of proceeds in accordance with this Sustainable Funding Framework.

b. Impact Reporting

Where relevant and possible, the Bank will also report on selected impact metrics (per project or in aggregate for all projects financed by the proceeds of a Green, Social and/or Sustainability Bond issuance), as outlined below:

Eligibility Criteria	**Impact Metrics**
Green Projects	
Renewable Energy	Greenhouse Gas (**GHG**) emissions reduced/avoided stated in terms of tons of carbon dioxide emission (**tCO_2e**)

Energy Efficiency	Annual energy savings (kWh/MWh/GWh)
	Reduction in energy demand (%)
Green Buildings	Annual energy avoided, compared to national building requirements (kWh/MWh)
	Level of certification achieved by the Green Building
	Annual GHG emissions reduced/ avoided (tCO_2e reduced)
Pollution Prevention and Control	Waste Management ▪ Number of tons processed in the facility (metric ton) ▪ Energy savings attributable to the investment (kWh/MWh/GWh) ▪ Estimated reduction in CO_2e emissions (tCO_2e equivalents)
Sustainable Water Management	Water & Wastewater Management ▪ Annual water savings (l/m^3) ▪ Annual volume of wastewater treated or avoided (l/m^3)
Social Projects	
MSME Lending	Number of loans made to MSMEs
Lending to Projects in Support of Gender Equality	Number of women-led MSMEs served

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the indebtedness and capitalisation of the Bank as at 31 December 2023. This table should be read in conjunction with the Bank's audited consolidated financial statements as of 31 December 2023 and the notes presented elsewhere herein. The translation of Peso amounts into U.S. Dollar amounts at the specified rate is provided solely for convenience using the BSP Rate of ₱55.567 = US$1.00 as of 29 December 2023.

	As of 31 December 2023 Actual	
	(₱ millions) (audited)	**(US$ millions) (unaudited)**
Short-term liabilities		
Deposit liabilities	1,392,507	25,060
Derivative financial liabilities	1,279	23
Bills payable and other borrowed funds	69,861	1,257
Due to BSP and other banks	1,881	34
Manager's checks and demand drafts outstanding	8,463	152
Accrued taxes, interest and other expenses	14,973	269
Liabilities attributable to insurance operations	5,330	96
Deferred credits and other liabilities	41,642	749
Total short-term liabilities	1,535,936	27,641
Long-term liabilities		
Deposit liabilities	902,599	16,243
Derivative financial liabilities	1,542	28
Bills payable and other borrowed funds	67,243	1,210
Liabilities attributable to insurance operations	9,872	178
Deferred credits and other liabilities	11,810	213
Total long-term liabilities	993,066	17,872
Total liabilities	**2,529,002**	**45,513**
Capital funds		
Share capital	49,307	887
Share premium	113,414	2,041
Treasury shares	-	-
Reserves	643	12
Accumulated other comprehensive loss	(11,127)	(200)
Surplus	204,967	3,689
Non-controlling interest	2,166	39
Total capital funds	359,370	6,467
Total liabilities and capital funds	**2,888,372**	**51,980**

Capital Ratios[(1)]		
Common Equity Tier 1 ratio	15.29%	15.29%
Tier 1 capital ratio	15.29%	15.29%
Total capital ratio	16.18%	16.18%

Note:

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

SELECTED STATISTICAL DATA

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

Average Statements of Condition and Related Interest

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

	For the years ended 31 December								
	2021			2022			2023		
	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)	Average Daily Balance	Interest Income/ Expense	Average Yield/ Cost (%)
	(₱ millions, except percentages)								
Due from other banks ...	270,746	1,572	0.58	269,274	740	0.27	237,641	1,292	0.54
Interbank loans receivable and securities purchased under agreements to resell..........................	37,643	384	1.02	28,288	756	2.67	22,981	1,643	7.15
Investment securities	430,739	10,436	2.42	539,008	16,863	3.13	591,708	21,737	3.67
Loans and advances......	1,366,920	72,225	5.28	1,534,079	84,909	5.53	1,669,592	120,900	7.11
Total interest-earning assets.........................	**2,106,049**	**84,617**	**4.02**	**2,370,650**	**103,268**	**4.36**	**2,551,920**	**145,572**	**5.70**
Deposit liabilities..........	1,733,232	10,168	0.59	2,012,713	14,821	0.74	2,139,598	36,027	1.68
Derivative instruments: subordinated debt, bills payable, and other borrowings........	121,622	4,866	4.00	87,283	3,381	3.87	105,356	5,195	4.93
Total interest-bearing liabilities	**1,854,854**	**15,034**	**0.81**	**2,099,996**	**18,202**	**0.87**	**2,244,954**	**41,222**	1.84

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

The following tables provides an analysis of changes in interest income, interest expense, and net interest income between changes in volume (average daily balances) and changes in rates for the year ended 31 December 2021 compared to the year ended 31 December 2022 and for the year ended 31 December 2022 compared to the year ended 31 December 2023. Volume and rate variances have been calculated on the movement in average daily balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities in proportion to absolute volume and rate change. The variance caused by the change in both volume and rate has been allocated in proportion to absolute volume and rate change.

	For the year ended 31 December 2021 compared to the year ended 31 December 2022			For the year ended 31 December 2022 compared to the year ended 31 December 2023		
	Increase (Decrease) Due to			Increase (Decrease) Due to		
	Net Change	Change in Average Volume	Change in Average Rate	Net Change	Change in Average Volume	Change in Average Rate
	(₱ millions)					
Interest income on:						
Financial investments..........	6,427	108,270	0.71	4,874	52,699	0.55
Loans and advances.............	12,684	167,159	0.25	35,991	165,512	1.58
Deposits with BSP and other banks	(460)	(10,827)	(0.13)	1,439	(36,941)	0.62
Interest expense on:						
Deposits...............................	4,653	279,481	0.15	21,206	126,885	0.95

Bills payable and other borrowings...........................	(1,485)	(34,340)	(0.13)	1,814	18,074	1.06
Net interest income...........	**15,482**	**19,460**	**0.28**	**19,284**	**36,312**	**0.38**

INVESTMENT CONSIDERATIONS

Investors should carefully consider the following investment considerations as well as the other information contained in this Offering Circular prior to making an investment in the Notes. In making an investment decision, each investor must rely on its own examination of the Bank and the terms of the offering of the Notes. The risks described below are not the only ones that may affect the Notes. Additional risks not currently known to the Bank or that the Bank currently deems immaterial may also impair the Bank's business operations.

Risks Relating to the Bank and its Business

The Bank is subject to interest rate risk.

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

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

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

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

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

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

As part of its strategy, the Bank intends to:

- maintain its leading position in the corporate segment;

- diversify its asset base and improve risk-adjusted returns by prudently accelerating growth in higher margin small-and-medium-sized enterprise (**SME**) and consumer lending;

- enhance deposit franchise and delivery infrastructure;

- elevate its digital infrastructure to deliver superior customer experience and cost efficiencies; and

- maintain prudent balance sheet management.

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

- new and expanded business activities may have less growth or profit potential than the Bank anticipates, and there can be no assurance that new business activities will become profitable at the level the Bank desires or at all;

- the Bank's competitors may have substantially greater experience and resources for the new and expanded business activities; and

- economic conditions, such as rising interest rates or inflation and regulatory changes, such as changes in banking and tax regulations, could hinder the Bank's expansion.

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

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

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

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

The Bank is exposed to cyber and information security risk.

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

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

As of 31 December 2023, the Bank's total exposure to borrowers was ₱1.88 trillion. The Bank extends loans to several sectors in the Philippines. As of 31 December 2023, the Bank's loan exposure to the top five industries, namely (i) real estate, renting and other related activities, (ii) manufacturing, (iii) wholesale and retail trade, (iv) consumer and (v) financial institutions, accounted for 71% of its total loan portfolio. The Bank's largest loan exposure is to real estate, renting and other related activities, which accounted for 23.1% of its loan portfolio as of 31 December 2023. Although the Bank continues to adopt risk controls and diversification strategies to minimise risk concentrations, financial difficulties in these industries could increase the level of non-performing assets and restructured assets, and adversely affect the Bank's business, its financial condition and results of operations.

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

The Bank's results of operations have been, and continue to be, affected by the level of its NPLs. The Bank's total gross NPLs were equal to ₱37.96 billion, ₱30.88 billion and ₱35.43 billion as of 31 December 2021, 2022 and 2023, respectively. For the years ended 31 December 2021, 2022 and 2023, the Bank's provisions for credit losses were ₱13.14 billion, ₱9.17 billion and ₱4.00 billion, respectively, representing approximately 19%, 11% and 4% of the Bank's net interest income for these periods. The Bank plans to continue to expand its microfinance, SME and consumer loan operations, including credit card services. Such expansion plans will increase the Bank's loan exposures to these riskier segments which are more susceptible to the Philippine's volatile economic conditions. As a result, the Bank may continue to experience increasing levels of NPLs and provisions for impairment losses in the near future.

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

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

As of 31 December 2023, the Bank's secured loans represented 28.2% of the Bank's total loans, and 55.9% of the collateral on these secured loans consisted of real properties. Given that the recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of collateral, less expenses of such sale or liquidation, there can be no assurance that the realised value of the collateral would be adequate to cover the Bank's loans in case these become non-performing in status.

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

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

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

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

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

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

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

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

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

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

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

In support of government initiatives to strengthen rural development, Philippine banks, under Republic Act No. 11901 (**RA 11901**) or the Agriculture, Fisheries and Rural Development Financing (**AFRD**) Enhancement Act of 2022, are required to allocate 25% of their loanable funds to a range of borrowers in the agriculture, fisheries, and agrarian reform sectors. Failure to meet the specified level of loans may result in regulatory fines or penalties being assessed against a non-compliant bank. This fine is calculated based on the relevant rate multiplied by the prescribed AFRD loan amount shortfall. Prior to RA 11901, Philippine banks were mandated to set aside 10 per cent. of their lending portfolio for agrarian reform beneficiaries and 15 per cent. for agricultural activities. Given the greater flexibility in allocating the combined 25 per cent. mandatory credit quota to eligible borrowers, the Bank is deemed compliant with the prescribed percent of funds extended to eligible sectors and expanded type of financing aligned with the BSP regulations (BSP Circular 1159).

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

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

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

As of 31 December 2023, the Bank has a baseline credit assessment of "Baa2" with a "stable" outlook from Moody's; a long-term issuer credit rating of "BBB+" with a "stable" outlook from S&P Global Ratings; and a long-term issuer default rating of "BBB-" with a "stable" outlook from Fitch Ratings. In the event of a downgrade of the Bank's rating by one or more credit rating agencies, the Bank may have to accept terms that are not as favourable in its transactions with counterparties or may be unable to enter into certain transactions. This could have a negative impact on the Bank's treasury operations and also adversely affect its financial condition and results of operations. Rating agencies may reduce or indicate their intention to downgrade the ratings at any time. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a downgrade of ratings. Any downgrade in the Bank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce the Bank's liquidity and negatively impact its operating results and financial condition.

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

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

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

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

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

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

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

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

Certain tax measures proposed under, and are currently referred to as, the Passive Income and Financial Intermediary Taxation Act (**PIFITA**) are pending in the Philippine legislature. In its current form, the PIFITA would impose a uniform rate of 15% on interest income, dividends, and capital gains on the sale of shares of stock. The PIFITA measures are currently part of the measure approved by the Philippine House of Representatives known as House Bill No. 4339. No assurance can be given that the PIFITA will be adopted by the Senate without amendment, approved by the President without veto and become law in its current form, or if other tax measures may affect the Issuer's payments on Notes, or when such changes would come into effect. If enacted into law, the PIFITA is expected to affect a broad range of Philippine taxes on passive income and financial instruments.

Specifically, the PIFITA proposes (i) the removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) a single final withholding tax rate of 20% on interest income regardless of currency, maturity, issuer and other differentiating factors, (iii) a single gross receipt tax of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) the gradual reduction of the stock transaction tax until it reaches 0.1%. In relation to debt instruments (including the Notes), the current proposals would introduce a uniform final withholding tax rate on interest income on deposit substitutes and interest income on long-term deposits or investments of 20% (as opposed to a range between 20%-25), unless a treaty rate applies. As a result, the Issuer may be required to pay Additional Amounts (as defined in the Conditions) and its option to redeem the affected series of Notes may be triggered. See "*Terms and Conditions of the Notes—7.2 Redemption for Tax Reasons*."

No assurance can be given that HB No. 4339 will be passed in its present form. Any increase in taxes on the Bank will reduce the net income of the Bank, which may have a material and adverse effect on the Bank's business, results of operations and financial condition. Further, the expiration, non-renewal, revocation or repeal of any tax exemptions or tax incentives, the enactment of any new laws or increase in taxes, could have an effect on the Bank's business, financial condition and results of operations.

Risks Relating to the Philippine Banking Industry

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

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

From 2020 to 2022, COVID-19 spread globally, with the number of reported cases and related deaths increasing daily, and in many countries, exponentially. As of 21 January 2024, there have been over 774 million confirmed cases and over seven million deaths. Countries have taken measures in varying degrees to contain the spread, including social distancing measures, community quarantine, suspension of operations of non-essential businesses and travel restrictions.

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

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

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

Subject to the Board of Accountancy's approval, PFRS 17 Insurance Contracts, will become effective on 1 January 2025. PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model.

A discussion on the newly adopted PFRS and amendments to existing standards to be adopted or which will be effective after 2023 can be found in Note 31.2 of the Bank's audited financial statements as at 31 December 2022 and 2023 and for the three years ended 31 December 2023 included elsewhere in this Offering Circular.

The Bank believes that other amendments and improvement to PFRS issued effective after 31 December 2023 will not have material impact on the Bank's future financial statements.

The Bank's principal businesses are in the highly competitive Philippine banking industry and increases in competition may result in declining margins in the Bank's principal businesses.

The Bank is subject to significant levels of competition from many other Philippine banks and local branches of international banks, including, in some instances, competitors that have greater financial and other capital resources, greater market share and greater brand name recognition than the Bank. According to data published by the BSP, there were a total of 45 domestic and foreign universal and commercial banks operating in the Philippines as of 31 December 2023.

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

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

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

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

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

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

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

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

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

The Philippine banking industry may face significant financial and operating challenges. These challenges may include, among other things, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank margins, low loan growth and potential or actual under-capitalisation of the banking system. Disruptions in the Philippine financial sector, or general economic conditions in the Philippines, may cause the Philippine banking industry in general, and the Bank in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges. As an example, the adverse effects of the pandemic in the general economy drove up the monthly gross NPL ratios exclusive of interbank loans to 3.6% to 4.7% levels from September 2020 to August 2021. With the reopening and improvement of the economy, these figures gradually moved back down to the 3.6% level as of August 2022. As of 31 December 2023, the NPL ratio was at the 3.3% level.

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

The Bank's banking interests are regulated and supervised principally by the BSP, to which the Bank has reporting obligations. The Bank is also subject to banking, corporate, taxation, data privacy laws and other relevant laws and regulations in effect in the Philippines, administered by agencies such as the Bureau of Internal Revenue (the

BIR), the Philippine SEC, the PSE, the National Privacy Commission (the **NPC**) and the Anti-Money Laundering Council (**AMLC**). The Bank is also subject to recommendations and pronouncements of international bodies such as the Financial Action Task Force (**FATF**) which have been adopted, incorporated, or referred to by the BSP in its regulatory issuances.

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

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

In June 2016, the BSP implemented the interest rate corridor (**IRC**) which effectively narrowed the band among the BSP's key policy rates. The pricing benchmark, which used to be the "special deposit account" prior to the implementation of the IRC, was replaced by the "overnight deposit facility" with a current rate of 6.0% (as of 14 December 2023), and forms the lower bound of the IRC. Meanwhile, the rate for the "overnight lending facility", which replaced the previous repurchase facility, and forms the upper bound of the IRC, is currently at 7.0% (as of 14 December 2023). The BSP likewise introduced the "term deposit facility" to serve as the main tool for absorbing liquidity through weekly term deposit facility auctions, the frequency for which may be changed depending on the BSP's liquidity forecasts. According to the BSP, the changes from IRC are purely operational in nature to allow it to conduct monetary policy effectively.

Universal and commercial banks are required to maintain reserves against deposits and deposit substitute liabilities, which, effective 6 January 2024, are imposed at the following rates: (a) 9.5% against demand deposits, negotiable order of withdrawal (**NOW**) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits (**CTDs**), long-term non-negotiable tax-exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks and Peso deposits lodged under due to head office/branches/agencies abroad of banks (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repurchase agreements; (c) 4.0% against long-term negotiable certificates of time deposits (**LTNCDs**); (d) 1.0% against green, social sustainable bonds as defined under the relevant regulations of the SEC or other relevant regional or international standards acceptable to the market (**Sustainable Bonds**) issued within one year from 6 January 2024; (e) 0% for Sustainable Bonds issued one year after 6 January 2024, effective for another 12 months, (f) 3.0% against bonds other than Sustainable Bonds; and (e) 0% against basic deposit accounts as defined under Section 213 of the MORB and for interbank call loan transactions (**IBCL**).

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

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

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

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

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

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

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

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

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

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

On 4 May 2020, BSP issued Memorandum No. M-2020-039 allowing universal and commercial banks, and their subsidiary banks and quasi-banks which have built their capital conservation buffer and LCR buffer to utilize such during the state of health emergency. A covered bank which draws down its 2.5% minimum capital conservation buffer will not be considered in breach of the capital adequacy framework. A covered bank which utilizes its capital conservation buffer is restricted from making distributions in the form of dividends, share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff. A covered bank may draw on its stock of liquid assets to meet liquidity demand even if may cause to maintain an LCR that is below the 100% minimum requirement. However, a covered bank that has recorded a shortfall in the stock of its High-Quality Liquid Assets for three banking days within any two-week rolling calendar period, causing it to fall below the 100% must notify the BSP on the banking day immediately following the occurrence of the third liquidity shortfall. They will be given a reasonable time to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic.

As of 31 December 2023, the Bank had CAR of 16.2%, CET1 ratio of 15.3% and capital conservation buffer of 9.3%. Compliance with these ratios may further increase competition among banks for deposits as well as high quality liquid assets.

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

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

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

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

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

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

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

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

- Fitch Ratings – BBB (stable), which was affirmed on 10 November 2023;
- Standard & Poor's – BBB+/A-2 (stable) which was affirmed on 28 November 2023; and
- Moody's Investors Service – Baa2 (stable), which was affirmed on 28 September 2023.

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

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

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

- the greater uncertainty associated with the Philippine regulatory, political, legal and economic environment;
- the vulnerability of the Philippine economy in general to a severe global downturn as it impacts on its export sector, employment in export-oriented industries, and OFW remittances;
- the large foreign debt of the Government and the corporate sector, relative to the gross domestic product (**GDP**) of the Philippines; and
- volatility of interest rates and U.S. dollar/Peso exchange rates.

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risks than banks in more developed countries. In addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank's financial condition, liquidity and results of operations. According to data from the BSP, the average NPL ratios exclusive of interbank loans in the Philippine universal and commercial banking industry were 2.11%, 1.47% and 1.49% as at 31 December 2021, 2022 and 2023, respectively.

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

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

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

The Foreign Account Tax Compliance Act (**FATCA**) was enacted into law in the U.S. on 18 March 2010 as part of the Hiring Incentives to Restore Employment Act. It is a new regime for finding income overseas as a response to a landmark court case in which a large international bank agreed to pay US$780 million in fines for their role in assisting U.S. citizens in evading income taxes. The FATCA impacts a number of organisations and individuals. It first affects U.S. persons with income abroad. Secondly, foreign financial institutions (**FFIs**) that invest in U.S. markets will be impacted, as well as U.S. financial institutions that do business with FFIs. Additionally, local government and taxing authorities in each country will see the effects of the act as well. It also brought forth an expansion of tax reporting for non-resident aliens.

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

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

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

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

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

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

Global markets have experienced, and may continue to experience, significant dislocation and turbulence due to economic and political instability in several areas of the world. These ongoing global economic conditions have led to significant volatility in capital markets around the world, including Asia, and further volatility could significantly impact investor risk appetite and capital flows into emerging markets including the Philippines.

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

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

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

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

Risks Relating to the Philippines

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

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

The International Criminal Court (**ICC**) conducted an inquiry on the "war on drugs", which was thereafter suspended in 2021 after the Philippine government asked the ICC to defer its investigation arguing that the national authorities were already investigating the same allegations domestically. On the other hand, the ICC prosecutor asked that he be authorised to resume investigation, noting that the domestic proceedings did not amount to an investigation that would sufficiently mirror the ICC's. On 26 January 2023, the ICC ruled to resume investigation. While the Philippine government appealed the ICC's decision, this was subsequently denied in July 2023 with the Philippine government continuing to argue that the ICC has no jurisdiction to investigate former President Duterte's "war on drugs" campaign, insisting that the country's judicial system can sufficiently conduct such investigation. Also in mid-2023, the Office of the Vice President (**OVP**) was scrutinised for having spent ₱125 million in confidential and intelligence funds in a matter of less than three weeks, such period of time likewise being a point of controversy for citizens and lawmakers alike. Several petitions have since been filed with the Supreme Court questioning the legality of the fund transfer from the Office of the President (**OP**) to the OVP, praying that the high court order the restitution of such contested public funds.

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

A substantial portion of the Bank's business activities and assets are based in the Philippines, which exposes the Bank to risks associated with the country, including the performance of the Philippine economy.

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

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;

- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;

- foreign exchange rate fluctuations;

- foreign exchange controls;

- inflation or increase in interest rates;

- levels of employment, consumer confidence and income;

- changes in the Philippine government's fiscal and regulatory policies and regulations, including tax laws and regulations that impact or may impact inflation and consumer demand;

- Philippine government budget deficits;

- adverse trends in the current accounts and balance of payments of the Philippine economy;

- public health epidemics or outbreaks of diseases, such as COVID-19, re-emergence of polio, SARS, bird flu, or H1N1, or the emergence of other similar diseases in the Philippines or in other countries in Southeast Asia;

- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;

- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and

- other regulatory, social, political or economic developments in or affecting the Philippines.

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

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

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

Significant calamities that hit the country in the recent years include the Taal Volcano eruption and Typhoon Rolly in 2020, Typhoon Odette in 2021 and the magnitude 7.0 earthquake in Abra, Typhoon Paeng in 2022 and Typhoon Egay in 2023.

On 27 July 2022, a magnitude 7.0 earthquake struck Abra province in Northern Luzon, causing multiple casualties, cutting off power and fresh water in some areas and causing damage estimated at about ₱316 million. In October 2022, tropical storm Paeng caused flooding and landslides in the islands of Mindanao. Its strong winds and heavy rains took the lives of at least 45 people with many more missing victims as it displaced thousands of residents and submerged schools and households in floodwater.

In July 2023, the National Disaster Risk Reduction and Management Council reported that around 5,882,288 people have been affected by tropical storm Egay. Its heavy rainfall and strong winds caused damage to infrastructure in Regions 1, 2, 5, 6, 11, 12, and MIMAROPA amounting to an estimate of ₱1,191,137,926.3, and damage to agriculture amounting to estimate of ₱833,880,000. In August 2023, another super typhoon, Goring, incurred damage amounting to an estimate of ₱442.34 million in the Cordillera, Ilocos, Cagayan Valley and MIMAROPA regions.

Natural catastrophes will continue to affect the Philippines. The Bank may incur losses for such catastrophic events, which could materially and adversely affect its business, financial condition and results of operations.

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

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

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

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

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

In recent months, there have been numerous run-in in areas of the West Philippine Sea. In August 2023, China Coast Guard vessels used water cannon against a Philippine resupply mission preventing one of the boats from delivering its cargo. On 24 September 2023, the Philippine Coast Guard reported that the Chinese Coast Guard has installed a floating barrier near the Bajo de Masinloc (Scarborough Shoal) in the West Philippine Sea in an attempt to prevent Filipino fishermen from entering the Scarborough Shoal. In a special operation conducted the following day, the Philippine Coast Guard confirmed that it has removed and cut the floating barrier. In October 2023, the Philippines has lodged a diplomatic protest with China in response to maneuvers by Chinese vessels that led to collisions with Philippine ships on a resupply mission to the BRP Sierra Madre on Ayungin Shoal (international name: Second Thomas Shoal). The Philippines filed 66 diplomatic protests against China in 2023. As of 24 January 2024, four diplomatic protests have so far been filed by the country against China in 2024.

United States President Joe Biden has manifested that the United States would not be easing up its military operations in the West Philippine Sea. South Asian nations and claimants involved in the West Philippine Sea dispute also continue to enforce their sovereign rights against China as well as other South Asian nations.

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

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

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, public shareholders of the Bank may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Securities Regulation Code of the Philippines requires the Bank to have at least two independent Directors or such number of independent Directors as is equal to 20.0% of the Board, whichever is the lower number. The Bank currently has six independent Directors. Many other jurisdictions may require more independent directors.

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

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

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

At present, the country's exchange rate policy supports a freely floating exchange rate system whereby the BSP leaves the determination of the exchange rate to market forces. Under a market-determined exchange rate framework, the BSP does not set the foreign exchange rate but instead allows the value of the Peso to be determined by the supply and demand of foreign exchange. The implementation of the revised Foreign Exchange rules eased the purchase of foreign currencies in the banking system. There is no assurance that the Peso will not depreciate further against other currencies and that such depreciation will not have an adverse effect on the Philippine economy and the Group's financial condition and results of operation. As of 29 December 2023, according to the BSP reference exchange rate bulletin, the Peso was at ₱55.567 per US$1.00 from ₱56.120 and ₱50.774 per US$1.00 at the end of 2022 and 2021, respectively.

Investors may face difficulties enforcing judgments against the Bank.

The Bank is organised under the laws of the Republic of the Philippines. A substantial portion of the Bank's assets are located in the Philippines. It may be difficult for investors to effect service of process outside of the Philippines upon the Bank. Moreover, it may be difficult for investors to enforce judgments against the Bank outside of the

Philippines in any actions pertaining to the Notes. In addition, most of the directors and officers of the Bank are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons or enforce against such persons' judgments obtained in courts or arbitral tribunals outside of the Philippines predicated upon the laws of jurisdictions other than in the Philippines.

The Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments but is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Moreover, the Philippine enacted Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, to facilitate the enforcement of arbitral awards in the Philippines. Judgments obtained against the Bank in any foreign court may be recognised and enforced by the courts of the Philippines in an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. The enforceability of foreign judgments in the Philippines is specifically provided for in the 1997 Rules of Civil Procedure. Section 48 of Rule 39 of the Rules of Civil Procedure provides that a judgment or final order of a tribunal of a foreign country having jurisdiction to give the judgment or final order is as follows: (a) in case of a judgment or final order upon specific property, is conclusive upon the title to that property; and (b) in case of a judgment or final order against a person, is presumptive evidence of a right between the parties and their successors in interest by a subsequent title. Further, Philippine courts have held that a foreign judgment is presumed to be valid and binding in the country from which it issues, until the contrary is shown, and the party contesting the foreign judgment has the burden of overcoming the presumption of its validity. However, such foreign judgment or final order may be rejected in the following instances: (i) such judgment was obtained by collusion or fraud, (ii) the foreign court rendering such judgment did not have jurisdiction, (iii) such order or judgment is contrary to morals, good customs, public order, or public policy of the Philippines, (iv) a party did not have notice of the proceedings before the foreign court, or (v) such judgment was based upon a clear mistake of law or fact.

Risks Relating to an Investment in the Notes Generally

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

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

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

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

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

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

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

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

The priority of debt evidenced by a public instrument.

Under Philippine law, in the event of liquidation of a company, an unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorised to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a *jurat* (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. So far as the Bank is aware, none of its debt is evidenced by a public instrument and the Bank will undertake in the Conditions and the Trust Deed not to create or permit to subsist any preference or priority in respect of any Relevant Indebtedness (as defined in Condition 4) pursuant to Article 2244(14). However, a domestic lender may acknowledge debt before a notary or a person authorised to administer oaths without notice to the Bank. Any such debt evidenced by a public instrument may, by mandatory provision of law, rank ahead of the Notes in the event of the liquidation of the Bank.

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

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

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

The Notes may have limited liquidity.

Notes issued under the Programme will constitute a new issue of securities for which there is no existing market. The offer and sale of any Notes is not conditioned on obtaining a listing of the Notes on the SGX-ST or any other exchange. The Dealers are not obligated to make a market in any Notes, and any market-making activity with respect to such Notes, if commenced, may be discontinued at any time without notice in their sole discretion.

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

- prevailing interest rates;
- the Bank's results of operations and financial condition;
- political and economic developments in and affecting the Philippines;

- the market conditions for similar securities; and
- the financial condition and stability of the Philippine financial sector.

Approval in-principle has been granted by the SGX-ST for permission to deal in and quotation for any Notes which are agreed at the time of the issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the official list of the SGX-ST. However, there can be no assurance that the Bank will obtain or be able to maintain such a listing or that, if listed, a trading market will develop for the Notes on the SGX-ST. The Bank does not intend to apply for listing of the Notes on any securities exchange other than the SGX-ST. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a holder's ability to dispose of the Notes.

Investors who hold an amount of Notes less than the minimum Specified Denomination may not receive a definitive Note for such amount.

In relation to any issue of Notes which has denominations consisting of a minimum Specified Denomination (as specified in the applicable Pricing Supplement) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are cleared through the relevant clearing system.

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

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

On 17 December 2009, the BCBS proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled 'Strengthening the resilience of the banking sector'. On 16 December 2010 and on 13 January 2011, the BCBS issued its final guidance on Basel III. The Basel III reforms require Tier 1 and Tier 2 capital instruments to be more loss-absorbing. The BCBS has proposed that the guidelines should be implemented from 1 January 2013. In January 2012, the BSP announced that the country's universal and commercial banks, including their subsidiary banks and quasi-banks, will be required to adopt in full the capital adequacy standards under Basel III with effect from 1 January 2014. Under the Basel III capital standards proposed by the BSP, Philippine banks are required to maintain at least 7.5% and 10.0% Tier 1 and total Capital Adequacy Ratio (**CAR**), respectively, compared to the current minimum levels of 5% and 10% These effectively make the proposed BSP requirements more stringent than those of the Bank of International Settlements (**BIS**) minimum levels of 6.0% and 8.0% Tier 1 and total CAR, respectively. BSP Circular No. 768 issued in September 2012 provides that eligible capital instruments issued as Lower Tier 2 capital under the conditions for eligibility as capital instruments pursuant to existing regulations shall continue to be recognised as qualifying capital until the BSP issues further guidelines. In March 2016, the Monetary Board announced that it had approved the LCR framework which requires universal and commercial banks to hold sufficient HQLAs that can be easily converted into cash to service liquidity requirements over a 30-day stress period. The approval of the LCR framework by the Monetary Board provides for an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. On 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% commencing on 1 January 2019. Banks are required to publicly disclose information related to the LCR on solo and consolidated bases beginning 1 January 2019. On 15 March 2019, BSP issued BSP Circular No. 1035 which introduced certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. including the (i) extension of the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adoption of the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amendment of the formula for minimum liquidity ratio. The subsidiary banks and quasi-banks of universal and commercial banks are required to comply with the minimum LCR of 100% starting 1 January 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Conditions also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15.

Notes subject to redemption by the Bank for payment of certain Additional Amounts.

Potential changes in law may trigger the Bank's obligation to pay certain Additional Amounts under the Notes, which would allow the Bank to exercise its option to redeem the Notes. See "*—Risks Relating to the Bank and its Business—New tax and other revenue raising measures are being considered by the Philippine legislature and increase taxes on the Issuer, including by imposing a withholding tax on the Notes.*"

At those times, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. Furthermore, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Payments under the Notes may become subject to U.S. Foreign Account Tax Compliance Withholding.

The FATCA imposes a reporting regime and, potentially, a 30% withholding tax. Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may in the future affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the clearing systems and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

The occurrence of a Non-Viability Event may be inherently unpredictable and may depend on a number of factors which may be outside of the Bank's control.

The occurrence of a Non-Viability Event is dependent on a determination by the BSP (a) that a deviation from a certain level of Common Equity Tier 1 ratio occurred, specifically, in case the Common Equity Tier 1 ratio falls to 7.25% or below or as may be determined by the BSP, whichever comes earlier; (b) inability of the bank to continued business; or (c) any other event as may be determined by the BSP. As a result, the BSP may require or may cause a write-off in circumstances that are beyond the control of the Bank or with which the Bank does not agree. Because of the inherent uncertainty regarding the determination of whether a Non-Viability Event exists, it will be difficult to predict when, if at all, a write-off will occur. Consequently, a write-off shall have the following effects: (a) reduce the claim of the instrument in liquidation; (b) reduce the amount repaid when a call is exercised; and (c) partially or fully reduce coupon/dividend payments on the instruments.

Based on the existing Basel III Guidelines, there is no assurance that any contractual provisions with non-viability loss absorption features, to the extent applicable, will be sufficient to satisfy the Basel III-compliant requirements that the Relevant Authorities may implement in the future. There is a risk that any Relevant Authority may deviate from the Basel III proposals by implementing reforms which differ from those envisaged by the BCBS.

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

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

Risks Relating to the Structure of a Particular Issue of Notes

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

Notes subject to optional redemption by the Bank.

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

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

Index Linked Notes and Dual Currency Notes.

The Bank may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the Bank may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

1. the market price of such Notes may be volatile;

2. they may receive no interest;

3. payment of principal or interest may occur at a different time or in a different currency than expected;

4. they may lose all or a substantial portion of their principal;

5. a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

6. if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

7. the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to such a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Partly Paid Notes.

The Bank may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of the Notes could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor.

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes.

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as EURIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes.

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

Notes issued at a substantial discount or premium.

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

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be or used as "benchmarks" (such as EURIBOR) are the subject of recent international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. For example, Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and the application date for the majority of its provisions was 1 January 2018. It is directly applicable law across the EU. The EU Benchmarks Regulation forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Benchmarks (Amendment and Transaction Provision (EU Exit) Regulation 2019 (as amended, the **UK Benchmarks Regulation**, and together with the EU Benchmarks Regulation, the **Benchmarks Regulation**). The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU and the UK (as applicable). It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU or non-UK-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses of "benchmarks" provided by unauthorised administrators by supervised entities in the EU or the UK. The scope of the Benchmarks Regulations is wide and, in addition to so-called "critical benchmark" indices, could also potentially apply to many interest rate and foreign exchange rate indices, equity indices and other indices (including "proprietary" indices or strategies) where used to determine the amount payable under or the value or performance of certain financial instruments traded on a trading venue, financial contracts and investment funds.

More broadly, any of the international reforms, particularly in the United Kingdom or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendations on EURIBOR fallback trigger events and fallback rates.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that EURIBOR and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable or a Benchmark Event (as defined in the Conditions) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Rate (both as defined in the Conditions), with or without the application of an adjustment spread and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser). An adjustment spread, if applied could be positive or negative and would be applied with a view to reducing or eliminating, to the fullest extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. However, it may not be possible to determine or apply an adjustment spread and even if an adjustment is applied, such adjustment spread may not be effective to reduce or eliminate economic prejudice to investors. If no adjustment spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of a Successor Rate or Alternative Rate (including with the application of an adjustment spread) will still result in any Notes linked to or referencing a Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the relevant benchmark were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of international or national reforms and the possible application of the benchmark replacement provisions of the Notes in making any investment decision with respect to any Notes referencing a benchmark.

The use of Secured Overnight Financing Rate (SOFR) as a reference rate is subject to important limitations.

The rate of interest on the Floating Rate Notes may be calculated on the basis of SOFR (as further described under Condition 5.2(b)(i) of the Conditions).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the ARRC) announced SOFR as its recommended alternative to U.S. dollar LIBOR. However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such publication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, and the Issuer has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Conditions provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Conditions. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR do not prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

The Trustee may request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including giving of notice to the Issuer pursuant to the Conditions), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the Trust Deed and the Conditions and applicable laws and regulations, it will be for the Noteholders to take such actions directly.

Risks Relating to the Notes issued as Green, Social or Sustainability Bonds

Notes issued as "Green Bonds," "Social Bonds" or "Sustainability Bonds" may not be a suitable investment for all investors seeking exposure to green or social assets.

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

In particular, the Bank may choose to apply the proceeds from the issue of Notes under the Programme for Eligible Green Projects or Eligible Social Projects which are defined in accordance with the broad categorization of eligibility for green or social projects set out by the Green Bond Principles and Social Bond Principles, as administered by the International Capital Market Association. Although the underlying projects have been selected in accordance with the categories recognised by relevant principles, and will be developed in accordance with relevant legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and operation of the projects. In addition, where negative impacts are insufficiently mitigated, the projects may become controversial, and/or may be criticized by activist groups or other stakeholders. Furthermore, no assurance is given by the Bank or the Dealers that the use of such proceeds for any Eligible Green Projects or Eligible Social Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental sustainability or social impact of any projects or uses the subject of or related to, any Eligible Green Projects or Eligible Social Projects.

There can be no assurance that the relevant project(s) or use(s) (including those the subject of, or related to, any Eligible Green Projects or Eligible Social Projects) will be capable of being implemented in or substantially in the manner described in the Sustainable Funding Framework and/or the applicable Pricing Supplement and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project(s) or use(s). Nor can there be any assurance that any such projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Bank. Any such event or failure by the Bank will not constitute an Event of Default under the Notes. Furthermore, it would not be a default under the Green, Social or Sustainability Bonds if (i) the Issuer were to fail to allocate the proceeds in the manner specified in the applicable Pricing Supplement or otherwise not comply with the Bank's Sustainable Funding Framework and/or (ii) any third-party statements issued in connection with such Green, Social or Sustainability Bonds were to be withdrawn, modified or downgraded.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a green, social or sustainable or an equivalently labeled project or as to what precise attributes are required for a particular project to be defined as green, social or sustainable or such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any project(s) or use(s) the subject of or related to any Eligible Green Projects or Eligible Social Projects will meet any or all investor expectations regarding such green, social or other equivalently-labeled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any project(s) or use(s) the subject of, or related to, any Eligible Green Projects or Eligible Social Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Bank) which may be made available in connection with the issue of the Notes and in particular with any Eligible Green Projects or Eligible Social Projects to fulfill any environmental, social and/or other criteria. For the avoidance of doubt, any such opinion or certification (i) is not, nor shall be deemed to be, incorporated in and/or form part of the applicable Pricing Supplement or this Offering Circular, (ii) is not, nor should be deemed to be, a recommendation by the Bank or the Dealers or any other person to buy, sell or hold any the Notes and (iii) would only be current as of the date that it was initially issued. Any such opinion or certification may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. Any such opinion or certification may be updated, suspended or withdrawn at any time. A withdrawal of any such opinion or certification may have an adverse effect on the value of the Notes and/or may have adverse consequences for certain investors with portfolio mandates to invest in green assets. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. No assurance can be provided with respect to the suitability or reliability of any such opinion or certification or that the Notes will fulfil the criteria to qualify as Green Bonds, Social Bonds or Sustainable Bonds, as the case may be. The Lead Arrangers and the Dealers have not undertaken, nor are responsible for, any assessment of the eligibility of projects in Eligible Green Projects or Eligible Social Projects or the monitoring of the use of proceeds from the offering of the Notes.

In the event that the Notes will be listed or admitted to trading on any dedicated green, environmental, sustainable or other equivalently-labeled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank or the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, for example with regard to any direct or indirect environmental, social or sustainability impact of any projects or uses, the subject of or related to, any Eligible Green Projects or Eligible Social Projects. Additionally, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Bank, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of the Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

Any such event or failure to apply the proceeds of the Notes for any project(s) or use(s), including any Eligible Green Projects or Eligible Social Projects, and/or the withdrawal modification or downgrade of any opinion or certification as described above or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on, and/or the Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of the Notes and also potentially the value of any other Notes which are intended by the Bank to finance Eligible Green Projects or Eligible Social Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Risks Relating to the Information in this Offering Circular

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

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

DESCRIPTION OF THE BANK

Overview

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

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

According to data available from the BSP, the Bank is the third largest publicly listed universal bank in the country in terms of total assets which stood at ₱2.9 trillion as of 31 December 2023. The Bank also holds a significant market share in the deposit, lending, and asset management markets. According to industry data on Philippine publicly listed banks, as of 31 December 2023 the Bank is the Philippines' second largest in terms of net customer loans, with a market share of 14.8%, and third largest in terms of deposits, with a market share of 12.1%. The Bank also enjoys a significant presence in the finance and operating lease business, government securities dealership, securities distribution and foreign exchange business. It is also a market leader in electronic banking where it has been a first mover and innovator in the use of automated teller machines (**ATMs**), cash acceptance machines (**CAMs**), point-of-sale debit systems, kiosk banking, phone banking, internet banking and mobile banking.

The Bank enjoys recognition from various award giving bodies, and in 2023 its institutional awards include "Best Bank in the Philippines" in the Euromoney Awards for Excellence 2023, "Best SME Bank in the Philippines" in the Alpha Southeast Asia's 17th Best Financial Institutions Awards, Gold Award for "Best Financial Company in the Philippines" in the FinanceAsia Asia's Best Managed Companies 2023, as well as multiple awards from the Institutional Investor survey.

The Bank's CET1 ratio stood at 15.3% while its CAR stood at 16.2%, as of 31 December 2023. These are above the minimum regulatory capital requirements set by the BSP under Basel III. As of 31 December 2023, the Bank had a market capitalisation on the PSE of ₱513 billion (based on the closing price on the PSE of ₱103.80 per share on 29 December 2023).

History of the Bank

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

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

Mergers, Acquisitions, Offers and Recent Milestones

History

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

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

In 2011, the Bank became the first bank in the Philippines to acquire the trust business of a foreign bank when it purchased the trust and investment management business of ING Bank N.V., Manila.

In 2014, the Bank completed a strategic partnership with Tokyo Century Corporation (**TCC**), one of the largest leasing companies in Japan, to form BPI Century Tokyo Lease & Finance Corp. (**BPI CTL**), with the Bank retaining 51% of ownership at the time. This strategic partnership helped the Bank innovate in asset financing products and enhance the service experience of an expanding base of Philippine consumers and corporations seeking asset leasing and rental solutions.

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

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

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

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

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

Business Milestones (2020-2023)

In November 2020, the Bank announced that TCC has decided to acquire an additional 2% of the issued shares of BPI CTL, which will increase their equity stake to 51%. The sale became effective on 22 December 2020.

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

In September 2022, BPI and Robinsons Bank announced plans to merge their operations to form a leading lender based on market capitalisation. In November 2022, BPI's board of directors has approved the proposed merger with Robinsons Bank. The merger was completed on 1 January 2024. For further details, see "*Strategies—Grow the share of consumer and business banking loans*."

Competitive Strengths

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

Preeminent banking brand in the Philippines

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

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

The strength of the Bank's brand is validated by its growing client base, which grew 18% from 9.3 million as of 31 December 2022 to 11.0 million as of 31 December 2023. As further testament to the Bank's brand, various industry agencies have awarded and affirmed the Bank's best-in-class financial and operating metrics. The Bank has maintained industry-leading profitability and price-to-book that is the highest among listed banks during the COVID-19 pandemic.

In 2023, all three major international Credit Rating Agencies reaffirmed BPI's Credit Ratings. In August 2023, Moody's affirmed its Baseline Credit Assessment of "Baa2" which is one notch above investment grade. In September 2023, S&P affirmed the Bank's Long term Issuer Credit Rating of "BBB+" which is two notches above investment grade (same as the agency's rating for the Philippine Sovereign). Most recently, in November 2023. Most recently, in November 2023, Fitch affirmed its Long-term Issuer Default Rating of "BBB-" (investment grade).

Strong track record of profitability and cost management

Historically, the Bank has been known as one of the most cost-efficient banks with the lowest operating leverage in the industry. As of 31 December 2023, its cost-to-income ratio stood at 49.96% and its cost-to-assets ratio at 2.58%, one of the lowest among Philippine banks based on publicly available financial data. The Bank's cost discipline coupled with its investments in its digital platforms have allowed it to maintain its cost leadership, remain resilient through downturns, and continuously improve productivity and cost-efficiency through the years.

Coupled with its strong income generating capabilities and deposit franchise, the Bank's cost-leadership has allowed it to produce industry leading returns for its equity holders. As of 31 December 2023, its return-on-equity (**ROE**) and return-on-assets (**ROA**) stood at 15.35% and 1.93% respectively, one of the highest in the Philippine Banking industry according to BSP data.

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

Well-capitalised with sufficient liquidity

As of 31 December 2023, the Bank's Common Equity Tier 1 (**CET1**) ratio of 15.3% and Capital Adequacy Ratio (**CAR**) of 16.2% were both well above regulatory requirements. The Bank believes these ratios are ahead of most banks in the Philippines and comfortably above the BSP's minimum CET1 ratio and CAR of 6% and 10%, respectively.

The Bank believes that its strong capital base, which primarily consists of common equity, provides sufficient protection to the Bank's current and prospective creditors. The Bank's strong capital base, coupled with its deposit franchise, have also allowed it to limit reliance on debt funding and to maintain comparatively low leverage levels as compared to other banks with its debt/total liabilities, as of 31 December 2023, at 5.4% (calculated as bills payable and other borrowed funds over total liabilities).

Aside from its strong capital base, the Bank maintains sufficient liquidity levels with its liquidity coverage ratio at 206.67% and leverage ratio at 10.95% as of 31 December 2023, which are well above the minimum prescribed ratios set by the BSP of 100% and 5%, respectively.

High quality and diversified asset base driven by prudent risk management

As of 31 December 2023, 76.8% of the Bank's loan book consist of loans to what the Bank believes to be high quality domestic corporate and multinational customers. From ₱1.35 trillion to ₱1.45 trillion, the Bank's loan growth has primarily been driven by large corporate loans, which grew at a 5-year compounded annual growth rate (**CAGR**) of 6.7% for that period, as compared to the Bank's retail loans, which grew by 10.9% over the same period. The Bank likewise registered a loan growth of 10.5% year-on-year as of 31 December 2023. The Bank expects the merger with RBC to contribute to further loan growth through expanding its reach to the network of the Gokongwei group of companies, especially in the SME market segment.

The Bank's strong risk management framework coupled with its prudent approach to growth has allowed it to significantly improve its asset quality metrics, with gross 90-day non-performing loan (**NPL**) ratios declining from 3.1% as of 31 December 2010 to 1.7% as of 31 December 2019, and NPL coverage increasing from 82.3% as of 31 December 2010 to 102.1% as of 31 December 2019. The ratios, however significantly increased in 2020 to 2.7% and 115.2%, respectively due to a challenging economic environment brought about by the COVID-19 pandemic. In 2021, asset quality remained resilient. The Bank's NPL level turned out better than initially expected, and better than industry average. As of 31 December 2022, NPL ratio slowed down to 1.8% vs system-wide average of 3.3%, with NPL coverage ratio at 180.1%. Asset quality continued to improve with NPL ratio at 1.8% and NPL coverage ratio at 156.1% as of 31 December 2023.

The Bank believes that its asset base is strategically diversified. It lends to customers in a wide variety of industries including real estate, manufacturing, wholesale and retail, utilities and financial intermediaries, among others. The Bank extends loans to several sectors in the Philippines. As of 31 December 2023, (i) real estate, renting and other related activities, (ii) manufacturing, (iii) consumer, (iv) wholesale and retail trade and (v) financial institutions were the largest sectors in the Bank's loan portfolio, representing 23.1%, 15.5%, 11.4%, 11.2%, and 9.7%, respectively.

As of 31 December 2023, the Bank's top 20 clients comprised 21.3% of the Bank's loan book. Internally, the Bank abides by strict single borrower limits, with no single customer accounting for more than 3.0% of the Bank's loan book as of 31 December 2023.

Stable and diversified revenue sources

The Bank's net interest income grew 22.7% to ₱104.35 billion in 2023 from ₱85.07 billion in 2022, driven by growth in average assets and high interest rate environment. In 2022, net interest income increased 22.3% from ₱69.58 billion in 2021. The Bank's net interest margin (**NIM**) expanded by 50 bps to 4.09% in 2023 from 3.59% in 2022. This was a continuation of the 29 bps NIM expansion seen in 2022 from 3.30% in 2021.

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

Over the years, the Bank's fee-based income has remained as a stable source of income. The Bank's fee generation is backed by strong performance of its largest businesses, namely (i) the Bank's card business, with 2.4 million cards in circulation as of 31 December 2023 and market position of 18.2% based on the data from the Credit Card Association of the Philippines; (ii) BPI Wealth, which has assets under management at ₱1.22 billion as of 31 December 2023; and (iii) the Bank's insurance joint ventures with Mitsumi Sumitomo Insurance Group for non-life insurance (BPI/MS Insurance Corporation), and BPI AIA Life Assurance Corporation (formerly BPI Philam Life Assurance, Corporation) for life insurance.

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

Accelerated digital transformation

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

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

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

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

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

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

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

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

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

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

Following the merger with RBC, BPI will have a minority ownership interest in GoTyme Bank, one of the six bank granted by a digital banking license by the BSP.

Strong physical distribution network

The Bank has one of the largest branch networks in the Philippines with 1,187 branch licenses (which include full-service branches and branch-lite units), as of 31 December 2023. In terms of geographic distribution (excluding BanKo, which is the Bank's microfinance arm that serves SEMEs), 436 of the branches were located in Metro Manila, 239 were in Luzon (excluding Metro Manila), 98 were in Visayas and 66 were in Mindanao.

The Bank's overseas network includes one office location in Hong Kong and one in London. The Bank also has one representative office in Tokyo and one in Dubai, which market and promote certain of the Bank's products and services. The Bank has two remittance centres in Hong Kong and maintains 126 remittance tie-ups and correspondent relationships with 60 active nostro accounts with 29 banks and financial institutions globally.

The Bank's branch network is supported by a network of 1,743 ATMs (including 556 ATMs provided by Euronet) and 343 CAMs as of 31 December 2023, which together provide cash-related banking services to customers 24/7, located in both branches and off-site locations, such as shopping malls and high-density office buildings. The Bank's interconnection with Bancnet, a Philippine-based interbank network connecting the ATM networks of local and offshore banks, also gives the Bank's cardholders access to over 20,000 ATMs across the Philippines as of 30 September 2023. The Bank's ATM network is likewise interconnected with Mastercard, China Union Pay, Discover/Diners, JCB and Visa. The Bank aims to provide more secured cash withdrawals for its depositors through the implementation of the ATM withdrawal notification feature, which allows the Bank's cardholders to receive notifications via e-mail or SMS when withdrawals beyond a specified amount are made.

The Bank also provides 24-hour banking services through its call centre.

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

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

The Bank has been successful in increasing client base, which reached nearly 11 million as of 31 December 2023, from 8.5 million as of 31 December 2021.

While the cost of deposits is largely driven by interest rate movements, the Bank has kept its average cost of deposits relatively low by improving its CASA (i.e., demand and savings accounts) to deposits ratio over the past five years. As of 31 December 2023, the Bank's CASA ratio stood at 67.0%, a 5.8% improvement from its 31 December 2012 level of 61.2%. The Bank also believes that its CASA to deposit ratio is one of the highest in the Philippines, and was mainly driven by the Bank's extensive omnichannel distribution network, providing easy access and high quality services to depositors. The Bank's depositors also typically roll over their deposits at maturity, effectively providing the Bank with a stable base of core liquidity, due to the Bank's best-in-class value propositions offered through its physical and digital distribution network.

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

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

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

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

Experienced management and strong performance culture

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

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

The Bank also fosters a strong performance culture by providing performance-based incentives such as employee stock option and stock purchase plans, and competitive compensation packages that are constantly reviewed to attract and retain top talent. It also has a wide array of training programmes and activities from which employees benefit throughout the course of their careers with the Bank. These programmes range from workshops for new hires to advanced leadership programmes for officers as well as courses on financial advisory.

Strategies

Establish BPI as the undisputed leader in digital banking

The Bank believes its digitalisation efforts redefine banking excellence and serves as a commitment that extends beyond customer-facing platforms, aspiring to expand its digital ecosystem through seamless digital customer onboarding, offering a wide array of digital products and services, and open banking collaborations, encompassing agile core systems and data-driven decision-making to ensure the robustness and security of the Bank's digital infrastructure.

The Bank envisions its seven customer engagement platforms to be a major vehicle for client acquisition, financial inclusion and business growth. 2023 was a year of sustained growth across all of the six live platforms, with highlights as follows:

- VYBE by BPI – the Bank's e-wallet and rewards app in one, where anyone can be a customer – ended the year with more than 740,000 sign ups since its inception in October 2022.

- The new BPI mobile app, which features an improved user experience and where clients can start banking instantly with its new-to-bank and new-to-product features, is the first banking app in the Philippines to feature AI-powered tracking and insights. The app offers financial advice, payment reminders and actionable advice on financial wellness. This new BPI app is key to the Bank's "phygital" approach to make the Bank more accessible to Filipinos through a combination of physical branches, as well as digital channels and platforms. There are about 6.5 million enrollees in BPI online and mobile as of December 2023.

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

- BanKo Mobile continues the mission to be the digital arm for the Bank's microfinance segment, with a total of 300,000 registered users for the year, a 99% surge of new registered users versus the previous year.

- BizKo enjoyed 56% annual growth in customer enrollment year-on-year, who enjoy free access to the various digital solutions catered to small businesses.

- Bizlink, for large corporations, multi-national companies, and conglomerates, ended 2023 with 1.7x more enrolled customers compared to 2019 enrollments.

Development of the seventh platform, which is geared towards the Bank's wealth management clients, is underway.

The Bank continues to investment in API development to increase capabilities in opening banking, real time payments, and payment gateways. The open banking business has 114 partners and offers more than 6,500 services as of 31 December 2023, up from only 74 and 749 in 2019, respectively. The BPI Flagship Store in Lazmall was officially launched in 2023, making the Bank the first and still the only bank in Southeast Asia to offer its products and services in the Lazada platform. Other major partners include GCash, Maya, Shopee, Grab, FoodPanda and Luna Securities, amongst others.

Increased digitalisation and strong digital adoption of the Bank's customers expanded the Bank's client base to 10.9 million and enabled efficiently servicing 1.5x of the total transaction count and 2.4x of the total transaction value, despite a much leaner organization, with smaller branch foot print and lower headcount of 19,499 as of 31 December 2023, a 9.0% decline from a pre-pandemic manpower count of 21,429 as of end-2019.

Grow the share of consumer and business banking loans

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

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

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

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

Close the gap in funding leadership

As of 31 December 2023, total deposits stood at ₱2.3 trillion, an increased of 17.4% from 2021. Growth has been predominantly from time deposits, which has increased by 69%, as clients shift to higher yielding products following the increases in interest rates.

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

Becoming the main operating bank of corporate clients is a key imperative to achieving funding leadership. The Bank engages its corporate clients through the BizLink digital platform designed to help them manage their accounts with BPI. Positive progress in client engagements via BizLink was noted in 2023, taking into stock that transaction count was double that of 2019, as well as seeing record count and volume in financial transactions, payroll, and automatic debit facilities.

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

Redefined the new role of branches

The Bank continues to believe in the value of physical branches, opening branches where needed and where there has not been branch presence before, even while consolidating and co-locating existing branches in oversaturated areas, keeping a constant eye to not losing territory coverage. From 2019 to 2021, the Bank has co-located 135 branches, consolidated 29 branches, opened four branches, and transferred 11 branches to sites where the Bank's presence is expected to be strengthened. Moreover, the merger with RBC, with BPI as the surviving entity, was approved by the regulators and took effect on 1 January 2024, providing the Bank with another avenue to expand its physical presence.

Select branches have also been redesigned to incorporate the best of physical and digital customer service elements, unlocking the power of "Phygital" banking. As of 31 December 2023, 19 branches have been transformed to Phygital branches – with a concierge and a quick transact area that will ensure enrollment of more customers in the Bank's digital platforms, educating them on how to use the various mobile and online applications to further enhance their banking experience. There will be meeting pods and meeting rooms equipped with virtual conferencing capabilities for customers to be able to access product specialists who provide expert advice. The Bank intends to ramp up the number branches for phygital transformation moving forward.

As of 31 December 2023, BanKo, the Bank's microfinance arm, has 348 branches, 48 of which were opened since 2019. 2023 also saw the launch of three kiosks and 10 BanKo on-the-go vehicles, making banking accessible even in more remote areas where it may be more difficult to build a full branch.

In 2022, the Bank introduced partnerships with convenient stores, department stores, supermarkets, gas stations, pharmacies to make the Bank's products available to the customers served by our partners. The Bank's partner agencies instantly expanded the Bank's physical network from 709 branches to 6,053 locations with 5,344 new partner outlets.

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

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

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

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

Champion sustainable banking

Guided by the two pillars of "Responsible Banking" and "Responsible Operations", the Bank developed a unique formula named "Environment, Social, Governance + Economic" or "ESG+E2". While the Bank actively integrates ESG principles in the way it does business, the Bank gives equal importance to E2 (representing economic benefits) due to its belief that a sustainable approach should be economically viable.

The Bank recognises the fact that shifting to sustainable business practices may be perceived as too costly by some of its clients thus its advocacy of offering free technical advisory services on sustainable financing solutions.

Being the only bank to do so, the Bank has joined over a hundred client calls and project site visits alongside the Bank's third party consultants to help clients appreciate that it is when they integrate sustainability into their business strategy and operations that they can achieve higher business productivity, efficiency, and profitability.

In 2023, highlights of the Bank's financing portfolio for sustainability include:

- ₱827 billion of the Bank's outstanding corporate and SME portfolio is in support of the UN SDGs, representing 52% of the Bank's total corporate and SME portfolio as of 31 December 2023;

- ₱24 billion of cumulative loan disbursements made under the Bank's Sustainable Development Finance (**SDF**) Program, which applied towards financing renewable energy, energy efficiency, green building, and sustainable agriculture projects;

- ₱198 billion of new agribusiness loans disbursed in 2023; and

- ₱15 billion of new microfinance loans disbursed under BPI BanKo in 2023, serving approximately 213,000 SEMEs.

In 2023, the Bank also pursued various inclusive, innovative and pioneering banking solutions that champion sustainability such as:

- raising ESG-focused funding, including: (1) the US$250 million IFC Green Financing Deal – the largest deal of IFC with a Philippine bank, (2) the ₱20.3 billion RISE Bonds or Reinforcing Inclusive Support for MSMEs – a social bond, the proceeds of which are allocated to eligible MSMEs, and (3) the ₱10 billion Green Saver Time Deposits – the proceeds of which are allocated to projects with clear environmental benefits;

- introducing new products for underbanked segments, including: (1) the e'Nay app empowering sari-sari store owners to quickly, easily, and conveniently order, manage, and pay for their inventory, (2) the Micro Agri Loan rewarding on-time loan repayments, which started as a pilot financing program for small scale onion farmers of Jollibee Foods Corporation, (3) InstaCashKo Line providing bridge financing for SEMEs, and (4) Max500, a term loan supporting the expanding operations of SEMEs requiring higher loan amounts;

- financing and arranging ESG-focused deals in 2023, including: (1) ₱11 billion sustainability-linked loan (**SLL**) financed with ADB for ACEN Corporation, and (2) ₱25 billion green preferred shares arranged as well for ACEN Corporation; and

- furthering its initiatives for Responsible Operations: (1) shifting two of its corporate offices to 100% renewable energy, bringing the total to three offices, and (2) had six new EDGE-certified bank branches, bringing the total to 11.

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

The Bank is steadfast in its milestone commitment of no additional greenfield coal power generation projects and to zero out coal power generation financing in its portfolio by 2032. Preparation for the Bank's Net Zero strategy roadmap are now underway.

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

Focus on customers

The Bank's culture is anchored on its "NICE" core values of "being Nurturing, acting with Integrity, being Customer Obsessed, and pursuing Excellence". For the second year in a row, an internal summit involving hundreds of the Bank's senior officers was once again held to renew this commitment, followed by a nation-wide roll out to all its employees. Seizing the momentum from being appointed in 2022, the Bank's Customer Delight Officers delivered various customer delight projects that immediately addressed low-hanging fruit opportunities to improve internal and external customer experiences. To reinforce that customer obsession is a key result area of every employee's performance, "Delight-o-Meter" surveys were completed after internal meetings as a constant reminder that everything done across the organisation should be in the best interest of customers.

In a relentless pursuit of customer satisfaction, the Bank achieved first in net promoter score in 2023 and its highest historical customer count.

Moving forward, the Bank's theme is "MORE with BPI," encompassing "BE MORE", "DO MORE", "SHARE MORE", and "INSPIRE MORE".

"BE MORE" focuses on nurturing the Bank's employees through people initiatives like wellness programs and learning opportunities which will empower them to reach their full potential. The "CHANGE" leadership competencies were also launched to guide everyone to "lead Customer Obsession, inspire High Performance, set Aspirations, lead with Nurturing Spirit, lead with a Growth Mindset, and lead with Excellence".

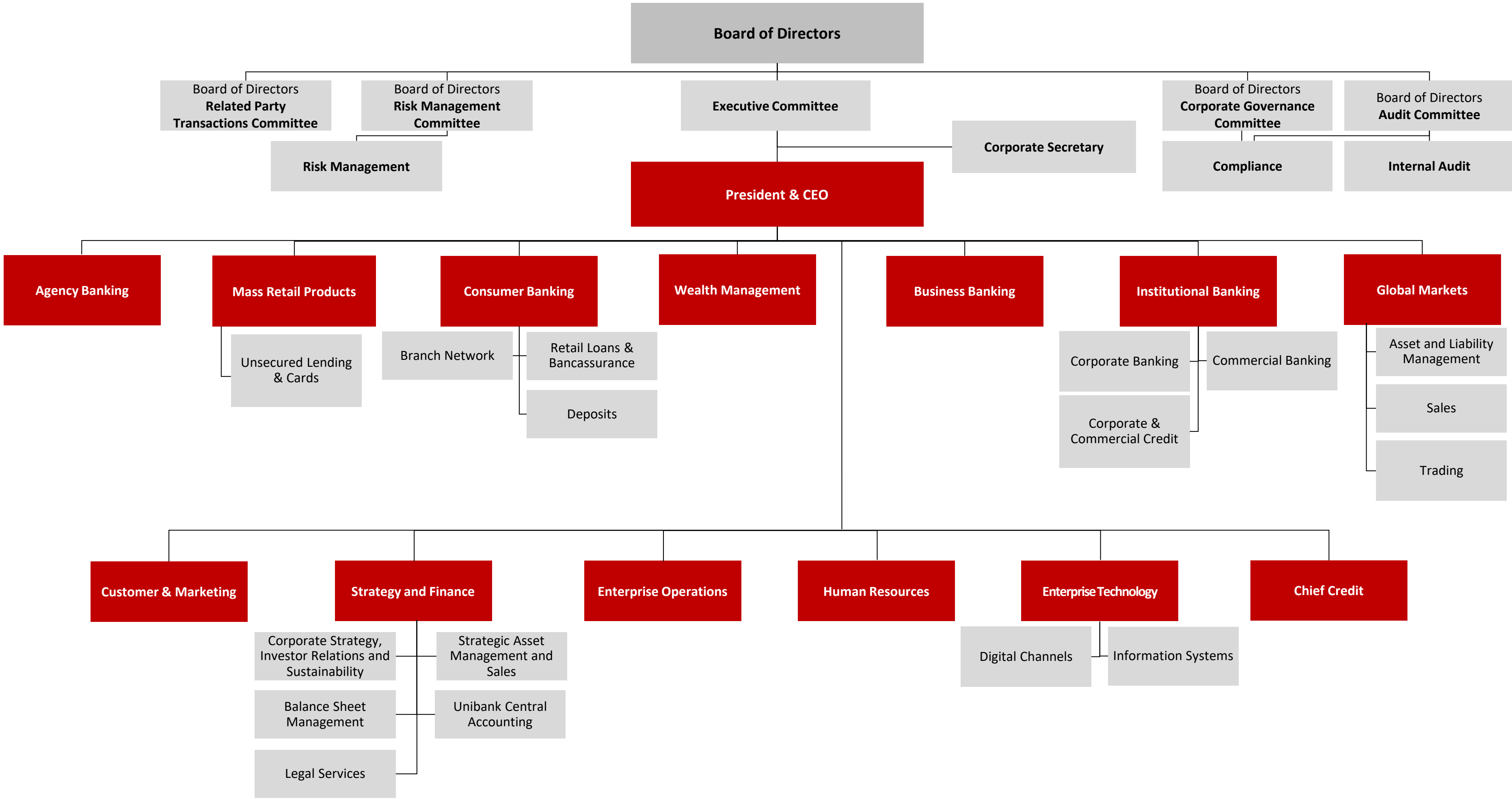
"DO MORE" highlights the Bank's commitment to its customers, offering relevant digital solutions and excellent customer service.

"SHARE MORE" embodies the Bank's dedication to giving back, supporting sustainable advocacies and charities, and fostering a culture of caring and equity.

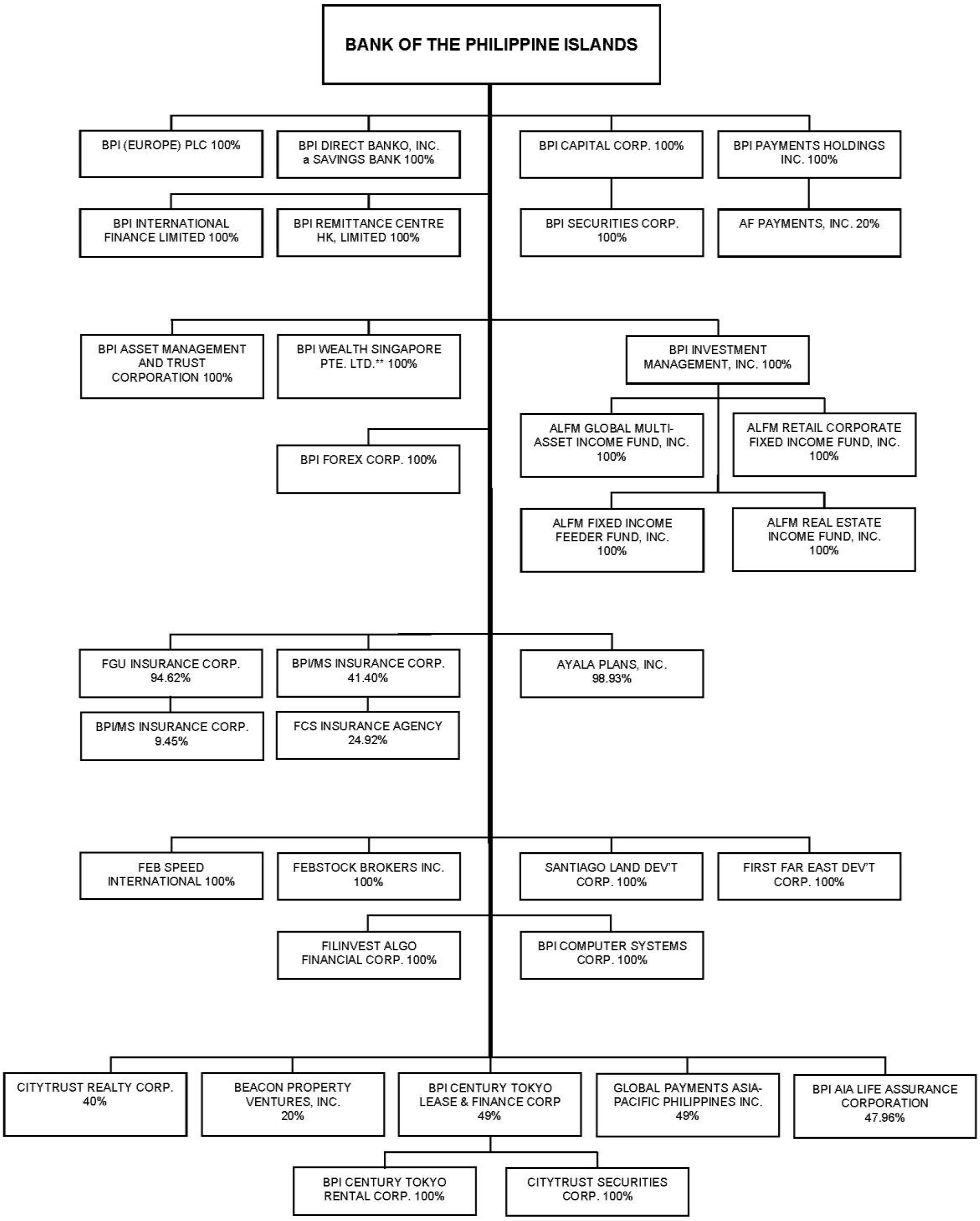
"INSPIRE MORE" drives everyone in the Bank to share stories of success and sustainable initiatives, inspiring others to take action for the betterment of the nation.

Organisational and Corporate Structure of the Bank

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



The following chart sets forth an overview of the corporate structure of the Bank as of 31 December 2023.



**Updated as of March 5, 2024*
*** Incorporated on June 20, 2023 with the Accounting and Corporate Regulatory Authority of Singapore; with Capital Market Services license application still pending approval by the Monetary Authority of Singapore*

Client Management Groups of the Bank

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

Institutional Banking

The institutional banking segment of the Bank is a diversified unit that covers specific client segments as well as manages certain products and services of the Unibank. The Relationship Management (**RM**) Groups include (1) the Top Corporates/Multi-national Corporations (**MNCs**)/Sectors RM Group (which will be renamed Institutional Banking RM Group), and (2) the Large Corporates RM Group (which will be renamed Commercial Banking RM Group). The products that fall under this segment of the Bank include (1) corporate and commercial credit, (2) transaction banking, (3) remittance & fund transfer, and (4) investment banking (which includes cash equity brokerage).

Business Banking

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

Consumer Banking

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

The Bank classifies individual retail clients into various retail client segments based on the amount of funds deposited and invested with the Bank and their specific need for financial solutions. The retail client segments are: (i) preferred banking for its mass affluent customers, (ii) personal banking for its regular customers and (iii) overseas Filipinos for its overseas Filipino customers. This system of classification allows the Bank to help its customers achieve their financial goals through specific financial advice, access to appropriate products and solutions, and other services. The Bank's retail clients accounted for 67.7% of the Bank's total deposit base as of 31 December 2023.

Self-Employed Micro-Entrepreneurs

BanKo, the Bank's microfinance subsidiary, provides the financing for productive and business purposes of SEMEs. BanKo offers quick access to credit facilities through its 348 branches and branch-lite units across the Philippines as of 31 December 2023. The Bank also recently made application easier through its mobile banking application.

Wealth Management

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

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

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

Principal Products and Services

The Bank offers a wide range of corporate, commercial and retail banking products. The Bank has two major categories for its products and services. The first category covers its deposit taking, lending and investment activities. Revenue from this category is reflected as net interest income in the Bank's financial statements and it accounts for a majority of the Bank's revenues. The second category covers services other than those related to its core deposit taking, lending, and investing business and from which the Bank derives commissions, service charges and other fees. These include investment banking and corporate finance fees, asset management and trust fees, foreign exchange, securities distribution fees, securities trading gains, credit card membership fees, rental on bank assets, income from insurance subsidiaries and service charges/commissions earned on international trade transactions, drafts, fund transfers and various deposit related services. Commissions, service charges and other fees, when combined with trading gains and losses arising from the Bank's fixed income and foreign exchange operations, constitute non-interest income. As of 31 December 2023, net interest income accounted for 75.4% of net revenues while other income accounted for the remaining 24.6% of net revenues.

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

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

Corporate Lending

Specialised Lending

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

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

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

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

- Lastly, **Sustainable Development Finance** is an expansion of the long-running Sustainable Energy Finance program that focuses on energy efficiency, renewable energy and climate resilience projects.

Transaction Banking

Cash Management services are handled by BPI Institutional Banking. The Bank's main digital cash management platform, BizLink, enables corporate clients to conveniently pay the Bank and other bank accounts, pay bills, fulfill government payments, manage employees' payroll, collect payments from clients via Automatic Debit

Arrangement and Bills Collection, and more. The Bank's new digital banking platform "BizKo", a mobile and web application helps micro, small and medium enterprises manage their day-to-day business needs and finances.

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

The Bank was awarded Best Trade Finance Bank in the Philippines in the Alpha Southeast Asia 17th Annual Best Financial Institution Awards 2023.

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

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

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

Small Business Loans

To address the financing needs of the SME segment, the Bank provides term loans and credit lines under its Ka-Negosyo brand. Small business loans range on average from a principal amount of ₱300,000 to ₱15 million and may be collateralised by real estate mortgages, deposits or investments. The Bank's Ka-Negosyo loans are simple, relevant and convenient solutions that address SME needs in every stage of their business.

Consumer Lending

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

Home Mortgage Loans

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

As of 31 December 2023, home mortgage loans to individuals on average amount to ₱4.1 million. Interest rates on the Bank's home mortgage loans range from 7% to 10.25% over the same period, depending on the fixed term of the loan, which ranges from one to ten years. Following the expiry of this initial period, the interest rate is reset at a fixed rate applicable for succeeding periods until the maturity of the loan, which ranges from one to 30 years.

Auto Loans

The Bank offers loans primarily for the acquisition of new cars and only for accredited brands for which a consistent track record of after-sales service has been established. The Bank focuses its lending efforts on those brands that it believes will be able to best retain their resale value. The Bank also works with local dealers to supply financing solutions and easier access to auto loans to their customers. As of 31 December 2023, the Bank's auto loans on average amount to approximately ₱950,000 in principal amount and have average terms of between 12 and 60 months. The Bank recently launched MyKotse, which allows borrowers to extend the payment terms to 72 or 84 months. The applicable interest rate is generally fixed with an amortising repayment schedule over the term of the loan. The Bank also typically lends up to 80% of the value of a new car. The maximum amount varies depending on the model and year of the car and is based on the Bank's internal assessments of the resale value.

All of the Bank's auto loans are secured by a first mortgage or legal charge over the cars being purchased. As of 31 December 2023, the prevailing effective interest rates of the Bank's auto loans range from 9% to 15%, depending on the loan tenor.

Unsecured Lending and Cards

The Bank offers access to unsecured loans for individuals in the form of personal loans and credit cards. BPI Personal Loans is a multi-purpose cash loan with low interest rates, flexible terms, easy payment schemes and no required collateral. Clients can avail of a loan up to three times their monthly income, quickly and safely, available through a client's BPI account. The Bank's credit cards offer a line of credit to cardholders to purchase goods and services with a promise to repay the Bank on the due date or via deferred and instalment plans. The Bank gives its customers wise spending options and the best value for money via low foreign exchange conversion, exclusive retail promotions and special installment plan deals with its credit card.

Through BPI Credit Card, the Bank offers low foreign exchange conversion, exclusive retail promotions and Special Installment Plan (**SIP**) deals. As part of its drive towards digitalization, the Bank provides electronic statements of account to facilitate ease of monitoring statements and managing finances while reducing carbon footprint. With the EMV-enabled BPI Debit Mastercard, the Bank provides global acceptance in-store and online on top of local point-of-sale (**POS**) purchases and withdrawals in the Philippines and abroad. To complement the wider acceptance, the Bank 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.

The Bank also issues other card-based products, such as debit cards and prepaid cards. As the companion card to BPI deposit accounts, the BPI Debit Mastercard gives clients a secure and convenient way to withdraw at the ATM, pay for goods and services at point-of-sale terminals, and do online purchases at e-commerce websites and apps. BPI Prepaid Card is an easy-to-get product for the Bank's clients used by majority for online spending and as a substitute product for getting a deposit account. In 2021, the Bank launched the Virtual BPI ePay Mastercard as a companion card to BPI #SaveUp accounts and is offered as part of the fully digital account opening process.

BPI Personal Loans is a no-collateral, multi-purpose loan with low interest. The loan size is up to three times a client's monthly income, and is repaid in flexible monthly installments.

As of 31 December 2023, the Bank had 2.45 million credit cards issued, approximately 583,000 named prepaid cards, 7 million active debit cards and approximately 236,000 personal loans customers. The total value of transactions executed with the Bank's credit, debit and prepaid cards was ₱472 billion in billings. As of 31 December 2023, the Bank's personal loans amounted to ₱18.64 billion in total.

Deposits

The Bank's deposit products include current accounts (non-interest and interest bearing demand deposits) and savings and passbook accounts, collectively referred to as CASA, which represent the Bank's low-cost funding base. The Bank also offers time deposits with the longest tenor at five years. The Bank's CASA and time deposit products are offered primarily in pesos and U.S. dollars. In some cases, these products are also offered in other foreign currencies, depending on client requirements.

Remittance

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

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

The Bank's ICBR service allows transfer of funds from anywhere in the world to beneficiaries in the Philippine, catering to the needs of overseas Filipinos and corporate organizations. Settlement modes include credit to account, cash pick-up, gift remittance (e.g. Jollibee Padala), bills payment, door-to-door delivery, and credit to other bank's account. The Bank's remittance network has locations in key areas worldwide so OFs can remit to the Philippines in almost realtime. The Bank's overseas network includes one office location in Hong Kong and one in London. The Bank also has one representative office in Tokyo and one in Dubai, which market and promote certain of the Bank's products and services. In addition, the Bank has two remittance centres in Hong Kong and maintains 126 remittance tie-ups and correspondent relationships with 60 accounts with 29 banks and financial institutions globally.

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

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

Domestic Remittance

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

The Bank's key initiatives and programs, especially the focus on digital, has enabled growth to outpace the industry and meet the important needs of its clients in the Philippines and abroad. The Bank earned the award for the Best Remittances Service Provider in the Philippines at the 16th Annual Best Financial Institution Awards by the Alpha Southeast Asia.

Corporate Finance & Investment Banking

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

BPI Capital's underwriting and distribution activities cover debt, equity and hybrid securities. BPI Capital has been involved in major fundraising exercises for the Government (through Philippine Retail Treasury Bond Issues) and on behalf of major corporations in the Philippines. BPI Capital has consistently been recognized by numerous leading award giving bodies every year, notably by FinanceAsia, Alpha Southeast Asia, Finance Derivative, IHAP and Euromoney. In 2023, BPI Capital received eight awards, which include "Best Equity House in the Philippines" from Alpha Southeast Asia, "Best DCM House" from FinanceAsia, and "Best Securities House" by Asiamoney. Apart from these, BPI Capital's deals in 2023 also received accolades: "Innovative Deal of the Year", "Green Deal of the Year", and "Philippine Domestic Project Finance Bank of the Year" by Asian Banking and Finance for the Energy Transition Mechanism for South Luzon Thermal Energy Corp., "Best Fixed Income Deal" and "Best Advisory Deal" by IHAP for ACEN Corporation's ASEAN Green Fixed-Rate Bonds.

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

Asset Management & Trust

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

BPI Wealth is a multi-awarded fund house consistently recognised by numerous prestigious institutions in the local and global investment management community. In 2023, it won Best Overall Asset & Fund Manager (seventh win in eight years) and Best Asset Manager (Fixed Income Funds) at the Alpha Southeast Asia's Fund Management Awards. It was accorded Best Asset Manager – Philippines by the International Finance Awards 2023 for the seventh time since becoming a standalone trust corporation. Lastly, the Chartered Financial Analyst Society of the Philippines touted BPI Wealth as the Best Managed Fund of the Year in the Peso Balanced Fund category (Odyssey Diversified Balanced Fund).

Insurance

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

Life Insurance

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

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

BPI AIA continuously grow alongside the Bank's aspirations. From an annualised new premium (**ANP**) of ₱659 million in 2010, it grew to ₱3.5 billion in 2022. Based on Philippine Insurance Commission's 2022 data, BPI AIA recorded a 4.4% market share in the overall insurance industry. As of 31 December 2023, BPI AIA generated ₱4.7 billion ANP and is continuously working on plans and initiatives to go back to pre-pandemic level of production.

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

Non-Life Insurance

BPI MS Insurance (**BPI MS**) is a joint venture of the Bank and Mitsui Sumitomo Insurance Company, one of the largest non-life insurance companies in Japan and a global insurance player, with 13 branches nationwide as of 31 December 2023.

BPI MS supports online applications, payments and policy issuance for basic coverages – motor, fire, personal accident and hospitalization insurance through BPI MS Express Protect. BPI MS also continued its partnership with Home Credit wherein affordable home contents insurance is offered to customers. In 2023, the partnership generated an average of ₱7.9 million in premiums each month.

Leasing

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

Treasury

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

Human Resources

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

Information Technology Systems

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

Competition

With 45 universal and commercial banks operating in the Philippines as of 31 December 2023, the banking industry in the Philippines is characterised by high levels of regulation and highly competitive pricing and service offerings. The Bank competes against domestic and foreign banks that offer similar products and services as the Bank. Since the further liberalisation of the Philippine banking industry in 2014, foreign banks have expanded from their traditional focus on Metro Manila and large-scale corporations to building their own networks to increase market share, primarily through acquisitions of small domestic savings banks. Foreign banks tend to benefit from the support of their parent companies or established regional operations but they are limited by local regulations to a maximum of six Philippine branches in order to protect the growth and participation of local banks.

According to industry data on Philippine publicly listed banks, as of 30 September 2023 the Bank is the Philippines' second largest in terms of net customer loans, with a market share of 14.7%, and third largest in terms of deposits, with a market share of 11.9%. The Bank believes its principal competitors are BDO Unibank, Inc. and Metropolitan Bank & Trust Company.

Employees and Labour Relations

As of 31 December 2023, the Bank had 19,499 employees (excluding BPI CTL and BPI MS). Excluding employees of Ayala Plans, Inc., BPI CTL and BPI MS., approximately 44% of the Bank's remaining employees are covered by existing collective bargaining agreements (**CBA**), which contain economic and non-economic provisions. Economic provisions cover, among others, salaries, allowances, benefits, and work conditions. Non-economic provisions cover union leaves, rights and responsibilities of parties, rules of engagement on strikes and lock-outs, check-off and grievance procedures. CBAs have a term of a five years with regards to non-economic provisions. Economic provisions are generally renegotiated within 60 days prior to the expiry of the third anniversary of an existing CBA. The latest CBA was executed in 2021. New CBAs are scheduled to be negotiated in 2024. The Bank's management believes it has a good relationship with its staff.

The Bank believes that it has amicable labour relations with its employees. The Bank has not been involved in any material disputes or employee related lawsuits that may adversely affect the Bank and its operations.

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

	As of 31 December		
	2021	**2022**	**2023**
Staff	12,504	11,502	12,246
Officers	6,677	6,702	7,253
Total	**19,181**	**18,204**	**19,499**

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

The Bank has in place an executive stock purchase plan (**ESPP**), pursuant to which qualified participants can purchase the Bank's common shares pursuant to the terms of the stock purchase plan. The ESPP has a three-year vesting period with one-third of the subscription being vested at the end of each year from grant date and has a 10-year payment period.

Corporate Social Responsibility

BPI Foundation, the social development arm of the Bank, envisions a financially-inclusive Philippines, where every Filipino is empowered to live a better life. Through its partnerships with like-minded organizations, it creates a culture of financial wellness for underserved Filipino communities. Guided by the principle of "*Kasama Lahat sa Pag-Unlad*,", BPI Foundation's three key pillars are Financial Education, Financial Inclusion, and Enterprise Development and Livelihood. Programs include Sinag for the social enterprise ecosystem, TechVoc for the unemployed and underemployed, SEAL for small and micro-enterprises, Farm to Table for farmers and fisherfolk, FinEd Unboxed, which teaches the fundamentals of personal finance management to various sectors, and BPI Bayan, a volunteerism program that encourages the Bank's employees to be changemakers in their communities.

Insurance

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

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

Properties

As of 31 December 2023, the Bank (excluding BanKo) owned 238 branch locations, leased an additional 471 branches, and co-located 130 branches. The following table provides the geographic breakdown of the Bank's Philippine branch network (excluding BanKo) as of 31 December 2023:

Location*	**Number of Branches**							
	Owned		**Leased**		**Co-Located**		**Total**	
Metro Manila...	103	12%	250	30%	83	10%	436	52%
Provincial	135	16%	221	26%	47	6%	403	48%
Total...............	**238**	**28%**	**471**	**56%**	**130**	**15%**	**839**	**100%**

Note:

* Excluding BanKo branches.

Intellectual Property

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

Legal Proceedings and Permits

The Bank is a party to various legal proceedings, claims and tax assessments which arise in the ordinary course of its operations. None of such legal proceedings, claims and tax assessments, either individually or in the aggregate, are expected to have a material adverse effect on the Bank or its consolidated financial condition. None of BPI, its subsidiaries, associates or properties is currently involved in any material litigation, arbitration or similar proceedings, and the Bank is not aware of any such proceedings pending or threatened against it, any of its subsidiaries or associates or its properties, which are or might be material in the context of the Programme or an issuance of Notes therunder.

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

Principal Subsidiaries and Associates

The following table sets out summary information in respect of the Bank's principal subsidiaries and affiliates as of 31 December 2023:

	Effective Ownership(1)	Activity
Subsidiaries		
BPI Capital Corporation	100%	Investment house
BPI Direct BanKo, Inc., A Savings Bank	100%	Microfinance
BPI International Finance Limited	100%	Financing
BPI Europe, Plc	100%	Banking (deposit)
BPI Securities Corporation	100%	Stock brokerage
BPI/MS Insurance Corporation	50.85%	Non-life insurance
BPI Asset Management and Trust Corporation (*doing business under the trade name and style of* BPI Wealth – A Trust Corporation)	100%	Trust services
BPI Investment Management, Inc.	100%	Investment management
Associates		
BPI AIA Life Assurance Corporation	47.96%	Life insurance
BPI Century Tokyo Lease and Finance Corporation	49%	Leasing
BPI Century Tokyo Rental Corp.	49%	Rental
AF Payments, Inc.	20%	Financing
Global Payments Asia-Pacific Philippines Inc.	49%	Financing

Notes:

* in millions

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

Subsidiaries

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

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

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

BPI Europe Plc was granted a U.K. banking license by the Financial Services Authority (**FSA**) on 26 April 2007. It was officially opened to the public on 1 October 2007.

BPI Securities Corporation is the full-service stock brokerage house of the Bank. It is a wholly-owned subsidiary of BPI Capital Corporation and is primarily involved in the purchase and sale of shares of publicly-listed companies on the PSE for its domestic institutional and retail clients.

BPI/MS Insurance Corporation is a non-life insurance company formed through the merger of FGU Insurance Corporation (**FGU**) and FEB Mitsui Marine Insurance Company (**FEB Mitsui**) on 7 January 2002. FGU and FEB Mitsui were acquired by the Bank through its merger with AIHC and FEBTC in April 2000.

BPI Asset Management and Trust Corporation, doing business under the trade name and style of BPI Wealth – A Trust Corporation (**BPI Wealth**), is a standalone trust corporation serving both individual and institutional investors with a full suite of local and global investment solutions. BPI Wealth commenced operations on 1 February 2017.

BPI Investment Management, Inc., is a wholly owned subsidiary of the Bank and serves as the principal distributor and transfer agent of the ALFM and PAMI Mutual Funds – open-end investment companies registered with, and regulated by, the Philippine SEC.

Associates

BPI AIA Life Assurance Corporation is the life insurance company formed in 2009 through a joint venture with Philam Life Assurance Corporation. In 2021, the name was changed to BPI AIA Life Assurance Corporation. The Bank's current shareholding is 47.96%.

BPI Century Tokyo Lease & Finance Corp., 49%-owned by the Bank and 51% owned by Tokyo Century Corporation, is a non-bank financial institution that provides financing services pursuant to the Financing Company Act. BPI Century Tokyo Lease & Finance Corp. wholly owns BPI Century Tokyo Rental Corp., which offers operating leases.

AF Payments, Inc. was established as a joint undertaking by Ayala and Metro Pacific Investments Inc. In 2013, AF Payments, Inc. was selected by the Government in a competitive process to provide financing for the automatic fare collection system project, which aims to enable an electronic and integrated ticketing scheme for metro and light rail systems in Metro Manila. The Bank's equity stake in AF Payments, Inc. is 20%.

Global Payments Asia-Pacific Philippines Inc. is a joint venture between the Bank and Global Payments, Asia Pacific Private Limited, in which the Bank holds a 49% equity stake. The joint venture company manages the Bank's payments acquiring business.

RISK MANAGEMENT

The Bank is exposed to risks that are particular to its lending, investment and trading businesses and the environment within which it operates. The Bank's goal in risk management is to ensure that it understands, measures and monitors the various financial and non-financial risks that arise from its business activities, and that it adheres strictly to its policies, standards, procedures and related guidelines which are established to address these risks.

Risk Management

The Bank employs a disciplined, structured and integrated approach to managing all the risks pertaining to its businesses to create, protect and optimise shareholder value. The Bank's risk management infrastructure covers all identified risk areas. Risk management is an integral part of the Bank's day-to-day business management and each operating unit identifies, measures, manages and monitors the risks pertaining to its business. Functional support on policy-making and risk compliance at the enterprise level is likewise provided for the major risk categories: credit; market and liquidity; and operational and information technology (**IT**) risks. Finally, independent reviews are regularly conducted by the Bank's Internal Audit group, regulatory examiners and external auditors to ensure that controls and risk mitigants are in place and functioning effectively as intended.

Credit risk continues to be the largest single risk the Bank faces. Credit risk management involves thorough credit evaluation, appropriate loan approvals, administration, management, and continuous monitoring and control of risk exposures such as borrower (or counterparty) risk, facility, collateral, residual, industry, and concentration risks relating to each loan account and on an aggregated portfolio basis. For consumer loans, credit risk management is additionally supported by established portfolio and credit risk scoring models. The Bank's entire credit risk management system is governed by prudent credit underwriting policies and risk rating parameters, and lending procedures, standards, and methodologies which are regularly reviewed and updated given evolving regulatory requirements and market developments. The Bank's loan portfolio is continuously measured, monitored, and risk-controlled as to overall asset quality, credit risk ratings, loan loss reserves coverage, credit concentration, and utilization of internal and prudential limits, amongst others.

Market and liquidity risk management involves a common structure and process but uses separate conceptual and measurement frameworks that are compatible with each other when it comes to dealing with price, interest rate risk in the banking book and liquidity risks. Price risk management involves measuring the probable losses arising from changes in the values of financial instruments and major asset and liability components as a result of changes in market rates, prices and volatility. Liquidity risk management involves the matching of asset and liability tenors to limit the Bank's vulnerability to abnormal outflows of funds, and ensures that the Bank will be able to meet its payment obligations associated with its financial liabilities when they fall due.

Operational and IT risk management involves creating and maintaining an operating environment that ensures and protects the integrity of the Bank's assets, transactions, records and data, systems and technologies, the enforceability of its claims, and compliance with all pertinent legal and regulatory parameters.

Risk Organisation

The Board directs the Bank's overall risk management strategy and performs an oversight function on the implementation of its risk policies and practices through the various committees that it has created, as follows:

- the Executive Committee, which approves credit risk limit for large exposures; except for DOSRI loans (including loans to BPI's subsidiaries and affiliates) regardless of amount, credit exposures beyond the Executive Committee limit, which are approved by the Board, as well as other transactions that may be required by the BSP;

- the Risk Management Committee (**RMC**), which reviews, approves, and ensures effective implementation of the Bank's enterprise risk management framework. The RMC approves risk-related policies, oversees limits to discretionary authority that the Board delegates to management, and evaluates the magnitude, distribution, and direction of risks in the Bank; and

- the Audit Committee through Internal Audit, which provides the independent assessment of the over-all adequacy and effectiveness of, and compliance with, the Bank's risk management policies and processes.

In addition to the committees indicated above, the Bank's organisational structure likewise includes the Risk Management Office (**RMO**), responsible for driving the company's risk management processes, i.e.,

- identification, measurement, controlling, monitoring and reporting of the Bank's risk taking activities; and

- formulation, review, and recommendation of risk management policies and methodologies.

Nevertheless, the Bank's enterprise risk management framework adopts the basic tenet that risks are owned and primarily managed by the respective businesses and process owners. Everyone in the organisation is therefore expected to ethically, prudently, and proactively manage the risks inherent to their respective areas by complying with the Bank's enterprise risk management framework, policies and standards.

Credit Risk

Credit risk is the risk of loss due to a borrower's non-payment of a loan or other lines of credit, either principal, interest, or both. It arises whenever the Bank's loanable funds are granted, renewed, extended, committed, invested or otherwise exposed through actual or implied contractual agreements. Non-payment by borrowers, counterparties or issuers, failed settlement of transactions resulting in default on contracts may occur resulting in some loan assets of the Bank declining in value.

The Bank drives credit risk management fundamentally via its suite of well-established credit policies, processes, methodologies, and standards (collectively, credit policy manuals) (**CPM**), the provisions of which are regularly reviewed and updated to reflect changing risk conditions. CPM defines the principles and parameters governing credit activities, ensuring that each account's credit worthiness is thoroughly assessed, understood and regularly reviewed. Relationship managers assume overall responsibility for management of the credit exposures while middle and back office functions are clearly defined to provide independent checks and balance to credit risk taking activities. A system of approving and signing limits ensures adequate senior management, and also Board/Committees (e.g., EXCOM and Board), involvement for bigger and more complex transactions. This risk management structure of policies, accountabilities and responsibilities, controls and senior management involvement is similarly in place for non-performing loans (**NPL**s) and assets (**NPA**s). The Bank fully-implemented PFRS 9-based policies, models and Expected Credit Loss (**ECL**) methodologies for its credit portfolios and impairment provisions calculation, rendering it compliant to both the BSP and accounting standards on PFRS 9 implementation.

In compliance with BSP requirements per Circulars 439 and 855, the Bank has developed and continues to review and calibrate its internal risk rating system aimed at uniformly assessing its credit portfolio in terms of risk profile. Where appropriate, it obtains collaterals, securities, and credit enhancements, enters into master-netting agreements, and limits the duration of exposures to maintain and even further enhance the quality of the Bank's credit exposures.

The Bank is able to manage overall credit risks and maintain asset quality, evidenced by generally acceptable NPL ratios relative to the Bank's total loan portfolio, diversified portfolio across key industries, adequate loan loss provisioning, and general compliance to BSP guidelines and regulatory ceilings on credit risks.

Market, Interest Rate in the Banking Book & Liquidity Risks

The value of the Bank's investments is subject to uncertainty in the future. Market risk pertains to losses in the Bank's on-balance sheet and off-balance sheet trading positions arising from potential adverse movements in market prices, in particular, changes in interest rates, foreign exchange rates, credit spreads and equity prices, as well as their correlations and implied volatilities that affect the value of instruments, products, and transactions in the Bank's trading portfolio.

The Bank's market risk exposure arises largely from market-making, dealing and position-taking in fixed-income securities, currencies, equities and derivatives. The Bank employs risk metrics such as the historical simulation Value-at-Risk (**HS VaR**), stop loss and DV01 to monitor the market risk exposures of Treasury and other risk taking units of the Bank. Risk limits are continuously reviewed and updated to align with the Bank's goals, objectives, strategies and overall risk appetite. Forward-looking scenario analysis, simulations and stress tests are also conducted to complement the risk metrics and provide a broader and holistic risk perspective to the Bank's management and RMC. In addition, the volatile nature of the foreign exchange rates may present huge risk on the financial condition of the Bank. The Bank's exposures on net foreign exchange position are monitored and controlled through the existing HS VaR metric that measures potential losses arising from these exposures. The Bank performs daily monitoring against RMC-approved risk limits.

Interest rate risk is a fundamental component of the banking business. Movements in interest rates can expose the Bank to adverse shifts in the level of net interest income and can impair the underlying values of its assets and liabilities. The Bank is exposed to interest rate risk on unfavourable changes in the interest rate curves which would have adverse effects on the Bank's earnings and its economic value of equity. Interest rate risk in the banking book (**IRRBB**) arises from the Bank's core banking activities. The main source of this type of interest rate risk is re-pricing risk, which reflects the fact that the Bank's assets and liabilities are re-priced as they mature or at contractual periods. Moreover, the mismatch in repricing maturities of assets and liabilities produces periodic gap patterns that create volatility in earnings.

IRRBB is directly affected by the volume, maturity and repricing balance sheet structures and rate sensitivities of the Bank's assets and liabilities. Measurement techniques used to determine the potential impact of interest rate risk can take a number of forms. The technique used depends on whether the focus is on earnings or economic value of the banking book. As such, there are two major approaches to measure IRRBB: (i) one that focuses on analysis of interest rate movements on net interest income and (ii) one that focuses on the economic value, or market value of the banking book. The earnings-based approach focuses on the short to medium-term variability in net interest income, thus linking to profitability. The economic value approach offers a long-term perspective on interest rate risk taking into account all future cash flows generated from the balance sheet.

The first class of techniques measures the potential deterioration in the Bank's net interest income due to changes in interest rates over a specified period (e.g., one to three years). The Bank's earnings are affected when movements in borrowing and lending rates are not perfectly synchronised, which creates a gap problem due such mismatch. The repricing gaps, or the difference between the amounts of rate-sensitive assets and the amounts of rate-sensitive liabilities, are the foundation of the IRRBB analysis. An asset or liability, including contingent or off-balance sheet accounts, is considered to be rate-sensitive, or subject to re-pricing within a time interval, if: (1) it matures, (2) it represents an interim or partial principal payment, (3) the interest rate applied to the outstanding principal balance changes (either contractually or because of a change in a reference rate) during the interval. The Bank employs the Earnings-at-Risk (**EaR**) metric to assess the potential deterioration in net interest income due to changes in interest rates.

The second class of techniques measures the impact on the economic or market value of equity (market value of assets less market value of liabilities) due to adverse changes in interest rates. This class of techniques computes for the present value of future principal and interest payments due and relating to the banking book. The discount rates however are uncertain and in fact are volatile. As such this class of techniques essentially computes the Net Asset Value-at-Risk (**VaR**) of the banking book. This risk metric is called the Balance Sheet VaR (**BS VaR**). The BS VaR is founded on re-pricing gaps. However, unlike the previous metric which focusses on the earnings volatility in the next 12 to 36 months, BS VaR provides a long-term perspective as all cash flows of the entire balance sheet through maturity of all accounts is considered.

The RMC performs annual review of the BS VaR and EaR limits and breaches with explanations and action plans are reported to the committee. The Bank stress tests its banking book and these stress test results are likewise reported to the RMC.

Liquidity Risk is the current and prospective risk to earnings or capital arising from the Bank's inability to meet its financial obligations to a client or to the market in any location and at any time when they come due without incurring unacceptable losses or costs. It is also the inability to manage unplanned decreases or changes in funding sources.

The Bank's liquidity profile is measured and monitored through its internal metric, the Minimum Cumulative Liquidity Gap (**MCLG**) supplemented by liquidity risk monitoring tools, as well as through regulatory metrics, Liquidity Coverage Ratio (**LCR**) and Net Stable Funding Ratio (**NSFR**). The MCLG measures the smallest net cumulative cash inflow (if positively gapped) or the largest net cumulative cash outflow (if negatively gapped) over the next three months. The LCR promotes the short-term resilience of the Bank's liquidity risk profile and requires the Bank to hold adequate level of high-quality liquid assets (**HQLA**) to cover net cash outflows in the next 30 days. The NSFR, on the other hand, promotes resilience over a longer time horizon by requiring the Bank to maintain a stable funding profile on an on-going basis. Moreover, both the LCR and NSFR are designed to strengthen the resilience of the Bank against liquidity shocks. The Bank also regularly conducts liquidity stress tests which have consistently revealed ample liquidity to meet its obligations under both name-specific and systemic crisis scenarios.

Market, IRRBB, and liquidity risk management is incumbent on the Board through the RMC. At the management level, the Bank's market risk exposure is managed by the RMO, headed by the Bank's Chief Risk Officer (**CRO**) and reports directly to the RMC. The RMO is responsible for recommending risk management policies and methodologies and for promoting enterprise-wide risk appreciation and education. The RMC defines the risk tolerance, provides guidance on risk strategies and approves risk policies and methodologies. The Bank's risk tolerance is continuously discussed at RMC meetings. With this, the Bank is able to ensure risks taken are adequate and within the Bank's appetite and limits.

Operational & IT Risks

Operational risk is the probability of loss arising from fraud, unauthorised activities, errors, omissions, system failures, or from external events. On the other hand, IT risk is the risk of any potential adverse outcome arising from the use of or reliance on IT. This includes, but is not limited to, information security, service availability, and reliability and availability of IT operations. Operational and IT Risks is the broadest risk type encompassing product development and delivery, operational processing, systems development, computing systems, complexity of products and services, and the internal control environment.

The Bank has a reliable internal control framework that is constantly reviewed for applicability and effectiveness by the following divisions within the organisation:

- RMO, which formulates, reviews, and revises operational risk management policies and framework, and spearheads implementation of key operational risk activities such as the risk and control self-assessment (**RCSA**), key risk indicators (**KRI**) and monitoring and incident management processes to ensure alignment of processes to applicable industry best practices. The RMO also supports the implementation of risk awareness and appreciation programs conducted through human resources training programs;

- internal audit, which ensures compliance with regulatory and internal policies and provides an independent assessment of current operational risk management practices and controls;

- compliance office, which oversees the implementation of the Bank's compliance system manual and acts as the repository for external regulations;

- legal services division, which ensures that the Bank's contracts and documentation adequately protect its interest;

- strategic and corporate planning and centralised accounting, which ensures implementation of financial policies to reflect a true and fair picture of the Bank, and ensures prompt disclosure or relevant information on the Bank to external stakeholders;

- central security office, which is responsible for the security of the Bank's facilities and the overall safety of the Bank's clients and employees;

- information systems group, which ensures that existing systems and functionalities are constantly improved to promote operational efficiency, adequate controls, and consistent service delivery; and

- human resources management group, which ensures succession plans are in place, and competency building and assessment programs are implemented, and that employees of the Bank undergo appropriate training programs to address competency gaps as well as for continuous improvement of both technical and behavioural skills required to deliver the job following the Bank's service and control standards.

The Bank has a Crisis Resiliency Committee providing oversight on incident management and leadership during a crisis with guidance from the approved crisis resiliency plan of the Bank, as well as business continuity plans and IT disaster recovery plans that are tested on an annual basis. Furthermore, the Bank has an established cyber security operations centre that provides threat intelligence, detection capabilities and proactive responses through monitoring, analytics and prompt detection.

Given all the operational risk controls, methods and tools, and processes fully in place, the Bank is able to manage operational and IT losses within the Bank's acceptable standards.

The Bank aims to continuously promote a culture of proactive and prudent risk management with the goal of becoming a risk-intelligent organisation, with the CRO and the RMO continuously engaging the RMC, management, and business units, communicating the risk awareness culture to the rest of the Bank through various internal channels, facilitating learning programs and awareness campaigns on risk management, and promoting best enterprise-wide practices.

DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

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

Funding

Overview

The Bank's funding is primarily provided by time, savings and demand deposits. Of the total amount of deposits of ₱2.3 trillion as of 31 December 2023, these categories amounted to 33.0%, 50.5% and 16.5%, respectively. The Bank also sources part of its funding requirements from the interbank market and occasionally from the BSP rediscount facility, which generally results in lower overall funding cost.

Sources of Funding

The Bank's principal source of deposits is private individuals. As of 31 December 2023, these accounted for 67.7% of total deposit liabilities.

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

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

	For the year ended 31 December					
	2021		2022		2023	
	Volume	Average Cost of Funding(1)	Volume	Average Cost of Funding(1)	Volume	Average Cost of Funding(1)
	(₱ millions, except percentages)					
Deposits by type:						
Demand	369,079	0.1%	376,337	0.1%	379,076	0.1%
Savings	1,137,124	0.3%	1,182,071	0.2%	1,158,548	0.1%
Time	448,944	2.0%	537,593	2.8%	757,482	4.7%
Total	**1,955,147**	**0.6%**	**2,096,001**	**0.7%**	**2,295,106**	1.5%
Deposits by currency:						
Peso	1,691,618	0.6%	1,792,115	0.8%	2,002,947	1.6%
Foreign	263,529	0.1%	303,886	0.2%	292,159	0.8%
Total	**1,955,147**	**0.6%**	**2,096,001**	**0.7%**	**2,295,106**	1.5%
Deposits by classification:						
Low Cost	1,506,203		1,558,408		1,537,624	
Term	448,944		537,593		757,482	
Total	**1,955,147**		**2,096,001**		**2,295,106**	
Bills Payable:						
Peso	46,375		30,345		83,607	
Foreign	48,664		67,158		53,497	
Total	**95,039**	**4.0%**	**97,503**	**3.9%**	**137,104**	**4.9%**
Acceptances Payable:						
Peso	202		128		116	
Foreign	2,640		8,972		7,746	
Total	**2,842**		**9,100**		**7,862**	

Note:

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

As of 31 December 2023, 67.0% of the Bank's outstanding deposits were demand and savings deposits, both of which can be withdrawn on demand without any prior notice from the customer. The following table sets out an analysis of the maturities of the deposit base of the Bank as of the dates indicated:

	As of 31 December		
	2021	2022	2023
		(₱ millions)	
Demand	369,079	376,337	379,076
Savings	1,137,124	1,182,071	1,158,548
Time	448,944	537,593	757,482
Up to 1 year	*363,451*	*452,843*	*704,229*
> 1 year to 5 years	*85,493*	*84,750*	*53,253*
Total	**1,955,147**	**2,096,001**	**2,295,106**

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

The Bank is a member of the Philippine Deposit Insurance Corporation (the **PDIC**), which insures all deposits up to a maximum of ₱0.5 million per depositor. The PDIC is funded by semi-annual assessment fees at a prescribed percentage of the Bank's deposit liabilities less certain exclusions.

Liquidity

As of the date of this Offering Circular, Peso deposits and deposit substitutes of universal and commercial banks are subject to a 9.5% reserve requirement. Required reserves must be kept in the form of deposits placed in the Bank's demand deposit account (**DDA**) with the BSP. Sufficient asset cover is likewise provided for foreign-denominated liabilities. The Bank follows BSP regulations that require depository banks under the foreign currency deposit system to maintain at all times a 100% asset cover for their foreign currency liabilities, of which at least 30% must be in the form of liquid assets.

As of 31 December 2023, the Bank's liquid assets amounted to ₱1,198,598 million, or 41.5% of the Bank's total assets. The Bank's liquid assets consisted largely of government securities and cash and other liquid assets to cover primary reserves requirement for deposits as well as to maintain a significant level of secondary reserves to fund any potential increase in loan demand. The following table sets forth information with respect to the Bank's liquidity position as of the dates indicated:

	As of 31 December		
	2021	2022	2023
		(₱ millions, except percentages)	
Liquid Assets[(1)]	**976,962**	**1,033,103**	**1,198,598**
Cash and other cash items	35,143	39,613	34,843
Due from BSP	268,827	182,869	199,619
Due from other banks	34,572	45,190	36,292
Interbank loans receivable and securities purchased under agreements to resell, net	30,789	12,382	19,124
Derivative financial assets	3,553	7,147	3,802
Financial assets at fair value through profit or loss	17,781	14,986	19,852
Financial assets at fair value through OCI	34,060	7,959	40,555
Investment securities at amortised cost	29,061	41,813	64,063
Loan and advances, gross	520,838	678,738	777,925
Other financial assets	2,338	2,451	2,523
Total Assets	**2,421,915**	**2,603,961**	**2,888,372**
Total Deposits	**1,955,147**	**2,096,001**	**2,295,106**
Net Loans[(2)]	**1,476,527**	**1,702,990**	**1,882,007**
Financial Ratios			
Liquid Assets to Total Assets	40.3%	39.7%	41.5%

Liquid Assets to Total Deposits	50.0%	49.3%	52.2%
Net Loans to Total Deposits..............................	75.5%	81.2%	82.0%

Notes:

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

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

Liquidity Management

The Bank manages its liquidity to meet financial liabilities arising from the withdrawal of deposits, repayments of deposits at maturity and working capital needs. Funds are required to create assets in the form of loans and extensions of other forms of credit, investments in securities, trade financing and capital investments. The Bank seeks to ensure sufficient liquidity through a combination of active management of liabilities, a liquid asset portfolio, the securing of ample money market lines and swap lines and the maintenance of repurchase facilities.

Liquidity risk on funding mainly comes from mismatches in asset, liability and exchange contract maturities. The Bank manages liquidity risk by setting and maintaining a minimum cumulative liquidity gap (**MCLG**, which is the smallest net cumulative cash inflow or the largest net cumulative cash outflow), conducting internal and regulatory stress tests and testing the Bank's contingency funding plan. The Bank's market and liquidity risk exposures are generally well within the Board-approved value-at-risk (**VaR**), stop loss and other risk limits set by the Bank and its subsidiaries.

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

Securities Portfolio

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

As of 31 December 2023, the Bank's investments (exclusive of derivatives) comprised 21.5% of its total assets. The table below shows the balances of the Bank's securities as of the dates indicated:

	As of 31 December					
	2021		**2022**		**2023**	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
	(₱ millions)					
Financial Assets at FVTPL........................	17,781	17,781	14,986	14,986	19,852	19,852
Financial Assets at FVOCI....................	134,741	134,741	95,267	95,267	218,654	218,654
Investment Securities at Amortised Cost ...	338,672	339,189	420,533	391,540	382,711	364,286
Total..........................	**491,194**	**491,711**	**530,786**	**501,793**	**621,217**	**602,792**

Loan Portfolio

As of 31 December 2023, the Bank's total loan portfolio amounted to ₱1.94 trillion, representing 67.0% of total assets. Large corporate loans, SME loans and consumer loans make up 74.7%, 4.1% and 21.2% of the Bank's total loan portfolio as of 31 December 2023.

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

	As of 31 December		
	2021	2022	2023
	(₱ millions)		
Corporate Entities			
Large Corporate Customers	1,169,551	1,348,210	1,446,426
Small-and-Medium-Sized Enterprise	66,594	76,046	79,097
Retail Customers			
Credit Cards	76,048	99,680	137,889
Real Estate Mortgages …………………………	153,303	158,137	171,495
Auto Loans	51,182	58,009	71,896
Others	11,952	16,675	28,536
Total	**1,528,630**	**1,756,757**	**1,935,339**
Accrued interest receivable	7,819	11,189	12,943
Unearned discount/income.....................................	(6,158)	(7,189)	(8,801)
	1,530,291	**1,760,757**	**1,939,481**
Allowance for impairment......................................	(53,764)	(57,767)	(57,474)
Loans and Advances, net	**1,476,527**	**1,702,990**	**1,882,007**

Industry concentration

The largest sectors of the Bank's loan portfolio are (i) real estate, renting and related activities, (ii) manufacturing, (iii) wholesale and retail trade, (iv) consumer and (v) financial institutions, representing 23.1%, 15.5%, 11.2%, 11.4% and 9.7%, respectively, of the Bank's loan portfolio as of 31 December 2023.

Under guidelines established by the BSP, loan concentration is considered to exist when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio. BSP regulations require banks to allocate 25% of their loanable funds to a range of borrowers in the agriculture, fisheries, and agrarian reform sectors. Prior to RA 11901, Philippine banks were mandated to set aside 10 per cent. of their lending portfolio for agrarian reform beneficiaries and 15 per cent. for agricultural activities. For the years ended 31 December 2021 and 2022, the Bank was fined ₱797.9 million and ₱829.9 million, respectively, for its failure to fully comply with mandated lending. The amount of loans extended by the Bank under the AFRD Financing amounts to approximately ₱163.0 billion as of 31 December 2023. Given the greater flexibility in allocating the combined 25 per cent. mandatory credit quota to eligible borrowers, the Bank is deemed compliant with the prescribed percent of funds extended to eligible sectors and expanded type of financing aligned with the BSP regulations (BSP Circular 1159).

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

	As of 31 December					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Consumer	123,035	8.1%	161,282	9.2%	220,408	11.4%
Manufacturing	238,369	15.7%	287,220	16.4%	298,463	15.5%
Real estate, renting and other related activities ..	389,874	25.6%	401,850	23.0%	445,452	23.1%
Wholesale and retail	163,205	10.7%	191,244	10.9%	216,400	11.2%
Agriculture, fishing and forestry	29,614	1.9%	33,602	1.9%	33,408	1.7%
Electricity, gas and water	174,679	11.5%	221,756	12.7%	175,932	9.1%
Transport and storage	35,751	2.3%	40,724	2.3%	42,096	2.2%
Information and communication	100,571	6.6%	151,332	8.7%	175,908	9.1%
Construction	39,378	2.6%	29,375	1.7%	33,838	1.8%
Financial intermediaries	123,369	8.1%	162,332	9.3%	187,331	9.7%
Others	104,628	6.9%	68,851	3.9%	97,302	5.2%
Total	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**

Loan Maturity Profile

As of 31 December 2023, 40.1% of the Bank's loan portfolio had a maturity of one year or less. The following table sets forth an analysis of the Bank's loan portfolio by maturity as of the dates indicated:

	As of 31 December					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Within one year[1]	519,047	34.1%	675,706	38.6%	773,010	40.1%
More than one year	1,003,425	65.9%	1,073,862	61.4%	1,153,528	59.9%
Total	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**

Note:

(1) Includes past due loans.

Foreign Currency Denominated Loans

As of 31 December 2023, 93.7% of the Bank's loan portfolio was denominated in Pesos while 6.3% was denominated in a foreign currency, 95.6% of which was comprised of U.S. dollars.

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

	As of 31 December					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Philippine Peso	1,402,793	92.1%	1,603,780	91.7%	1,805,930	93.7%
Foreign Currency	119,679	7.9%	145,788	8.3%	120,608	6.3%
U.S. Dollars	*113,229*	*94.6%*	*139,617*	*95.8%*	*115,324*	*95.6%*
Others	*6,450*	*5.4%*	*6,171*	*4.2%*	*5,284*	*4.4%*
Total	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**

Interest Rates

As of 31 December 2023, 86.8% of the Bank's total loan portfolio are subject to repricing. The Bank sets interest rates for floating rate Peso-denominated loans based on market rates for Philippine government securities and for floating rate U.S. dollar-denominated loans based on U.S. dollar LIBOR. The floating rate loans are repriced for interest periods of typically 30 to 90 days.

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

	As of 31 December					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Repricing	1,360,526	89.4%	1,560,086	89.2%	1,671,429	86.8%
Up to one year	*484,920*	*35.6%*	*979,374*	*62.8%*	*1,090,478*	*65.2%*
Over 1 up to 3 years	*310,278*	*22.8%*	*290,057*	*18.6%*	*325,383*	*19.5%*
Over 3 years	*565,328*	*41.6%*	*290,655*	*18.6%*	*255,568*	*15.3%*
Non-repricing	161,946	10.6%	189,482	10.8%	255,109	13.2%
Total Loans	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**

Sizes and concentration of loans

The BSP generally disallows any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of the Bank's net worth or unimpaired capital and surplus, which includes combined capital accounts, paid-in-capital and surplus, but excludes unbooked reserves for valuation purposes, liabilities and deferred income tax. As of 31 December 2023, the Bank is in compliance with this borrower's limit with all of its loans.

The Bank monitors its financial exposure to its customers in order to ensure that concentration risk is prudently managed. As of 31 December 2023, the Bank's ten largest individual borrowers accounted for 13.4% of the Bank's total outstanding loan portfolio. As of 31 December 2023, the Bank's ten largest borrower groups in the aggregate accounted for 26.6% of its outstanding loan portfolio. There are no NPLs in the top ten loan accounts.

Secured and Unsecured Loans

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

	As of 31 December					
	2021		**2022**		**2023**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(₱ millions, except percentages)					
Secured	443,248	29.1%	525,500	30.0%	543,945	28.2%
Real estate mortgage	*268,427*	*60.6%*	*281,974*	*53.7%*	*304,090*	*55.9%*
Chattel mortgage	*51,878*	*11.7%*	*58,862*	*11.2%*	*75,028*	*13.8%*
Others	*122,943*	*27.7%*	*184,664*	*35.1%*	*164,827*	*30.3%*
Unsecured	1,079,224	70.9%	1,224,068	70.0%	1,382,593	71.8%
Total	**1,522,472**	**100.0%**	**1,749,568**	**100.0%**	**1,926,538**	**100.0%**

As of 31 December 2023, 71.8% of the Bank's total loans are unsecured.

Loans to Directors, Officers, Shareholders and their Related Interests

The Bank extends loans to its directors, officers, shareholders and their related interests (collectively referred to as **DOSRI**) in the normal course of business and on equal terms with those offered to unrelated third parties. The BSP imposes an aggregate ceiling of 15% of the bank's loan portfolio for these types of loans or 100% of net worth, whichever is lower with the unsecured portion limited to 30% of the aggregate ceiling or the outstanding loans, other credit accommodations and guarantees, whichever is lower. As of 31 December 2023, DOSRI loans amounted to 1.0% of the Bank's total loans and advances.

Loan Classification and Loan Loss Provisioning

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

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

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

- Unclassified Loans – these are loans that do not have a greater-than-normal risk and do not possess the characteristics of loans classified below. The counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated;

- Loans especially mentioned – these are loans that have potential weaknesses that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase the credit risk of the Bank;

- Substandard Loans – these are loans which appear to involve a substantial degree of risk to the Bank because of unfavourable records or unsatisfactory characteristics. Further, these are loans with well-defined weaknesses which may include adverse trends or development of a financial, managerial, economic or political nature, or a significant deterioration in collateral;

- Doubtful Loans – these are loans which have weaknesses similar to those of the substandard classification with additional facts, conditions and values that make collection or liquidation in full highly improbable and substantial loss is probable; and

- Loss Loans – these are loans which are considered uncollectible and of such little value that their continuance as bankable assets are not warranted although the loans may have some recovery or salvage value.

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

	As of 31 December					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Classified	58,532	3.8%	53,961	3.1%	60,555	3.1%
Especially mentioned	*18,346*	*1.2%*	*7,648*	*0.4%*	*8,722*	*0.4%*
Substandard secured	*12,440*	*0.8%*	*18,209*	*1.0%*	*18,726*	*1.0%*
Substandard unsecured	*13,712*	*0.9%*	*6,757*	*0.4%*	*12,229*	*0.6%*
Doubtful	*9,830*	*0.6%*	*15,623*	*0.9%*	*15,270*	*0.8%*
Loss	*4,204*	*0.3%*	*5,724*	*0.3%*	*5,608*	*0.3%*
Unclassified	1,471,759	96.2%	1,706,796	96.9%	1,878,927	96.9%
Total	**1,530,291**	**100.0%**	**1,760,757**	**100.0%**	**1,939,482**	**100.0%**

Non-Performing Assets

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

	As of December 31		
	2021	2022	2023
	(₱ millions, except percentages)		
Total Loans (gross)	1,522,472	1,749,568	1,926,538
Non-performing loans (NPLs), gross(1)	37,956	30,879	35,435
Non-performing loans (NPLs), net(1)	20,384	9,464	12,709
ROPA, Gross	6,197	7,139	7,921
ROPA, Net	3,282	3,760	4,743
Total non-performing assets (NPAs), net	23,666	13,224	17,452
Total assets	2,421,915	2,603,961	2,888,372
NPAs to total assets	1.0%	0.5%	0.6%
Allowance for impairment and credit losses (total)	54,577	57,767	57,474
Allowance for credit losses (loans)	51,663	55,566	55,308
Allowance for impairment losses (ROPA)	2,914	3,379	3,178
Allowance for credit losses (loans) to total non-performing loans, gross	136.1%	180.0%	156.1%
Allowance for impairment and credit losses (total) to total non-performing assets	123.6%	151.9%	132.6%
Total restructured loans	28,441	28,970	26,143
Restructured loans to total loans (gross)	1.9%	1.7%	1.4%
Loans – written off	5,263	3,998	4,026

Note:

(1) NPL are based on BSP circular 941.

Sectoral analysis of non-performing loans

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

	As of 31 December					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(₱ millions, except percentages)					
Consumer	7,778	20.5%	6,463	20.9%	9,077	25.6%
Manufacturing (various)	3,055	8.0%	2,024	6.5%	3,612	10.2%
Real estate, renting and other related activities	11,342	29.9%	9,188	29.8%	8,878	25.1%
Wholesale and retail	3,856	10.2%	3,605	11.7%	4,106	11.6%
Agriculture, fishing and forestry	1,108	2.9%	1,127	3.6%	1,705	4.8%
Electricity, gas and water	310	0.8%	356	1.2%	202	0.6%
Transport and storage	327	0.9%	326	1.1%	291	0.8%
Information and communication	465	1.2%	352	1.1%	199	0.6%
Construction	5,803	15.3%	4,532	14.7%	4,550	12.8%
Financial intermediaries	144	0.4%	152	0.5%	157	0.4%
Others	3,768	9.9%	2,754	8.9%	2,658	7.5%
Total	**37,956**	**100.0%**	**30,879**	**100.0%**	**35,435**	**100.0%**

Credit Management Policies and Procedures

The credit management process involves all levels of the organisation, from line personnel up to the Board of Directors. This section discusses the broad responsibilities of the various functions in the credit management process.

Board of Directors

The Board of Directors represents the shareholders and provides overall guidance in the execution of the Bank's vision. It is responsible for:

- approving and periodically reviewing the credit strategy of the Bank;
- ratifying significant credit policies;
- approving the Bank's overall credit strategy for selecting risks and maximising profits;
- reviewing the financial results of the Bank and determining action plans;
- approving write-off of non-performing loans and ratifying restructured loans;
- approving the minimum amount of valuation reserves to be set up for bank-wide assets;
- determining the adequacy of capital levels vis-a-vis the risks assumed; and
- approving DOSRI loans.

Executive Committee

The Executive Committee (**EXCOM**) is, after the Board, the highest credit decision-making body in the Bank. As mandated by the Board of Directors, its main purpose is to review and approve credit proposals that may pose material risks to the Bank's business strategy or reputation and to work closely with the Risk Management Committee (**RMC**) in managing the overall credit risks of the Bank through its membership in the RMC. In addition, the EXCOM is responsible for approving the sale of investment properties as recommended by management.

Risk Management Committee

The RMC of the Board has been tasked to articulate and convey the risk management expectations of the Board to Management. The Board has also delegated the development, implementation, and oversight of the Bank's risk management framework to the RMC. The following are the duties and responsibilities of the RMC:

- provide guidance on and oversight over the implementation of risk management strategies for managing and controlling the Bank's major financial and non-financial risks, preventing losses, and minimising the impact of losses when they occur;
- establish the Bank's overall risk capacity, risk appetite, metrics, and limits system;
- approve credit, market, liquidity, operational and IT risk policies and implementing guidelines as may be recommended for risk management purposes;
- identify and evaluate credit, market, and operational risk exposures, assessing the probability of each risk becoming a reality and estimating its possible effects and costs;
- oversee the system of credit, market, and operational risk limits to discretionary authority that the Board delegates to management, ensuring that the risk limits are observed and immediate escalation and corrective actions are undertaken whenever limits are breached;
- regularly report to the Board the Bank's over-all risk exposure, actions taken to reduce the risks and recommend further actions and plans whenever necessary;
- ensure the proper implementation of the Bank's risk and capital management plan;
- review and reverse the Bank's risk and capital management plan as needed;
- set strategic targets, portfolio composition and limits; and
- oversee the management, methods, and processes of the Bank's Chief Risk Officer and the Risk Management Office.

Credit Committee

The Credit Committee (including its designated various sub-credit committees) at the management level is responsible for executing and managing the credit strategy of the Bank as defined by the Board and the EXCOM, by:

- maintaining a sound and effective credit risk management system;
- participating in Bank-wide portfolio planning and strategy;
- reviewing and approving exceptions to standard credit policies up to its authority limit;
- keeping aggregate credit risk levels within established risk appetite and limits;
- reviewing the effectiveness of credit training policies across the Bank and communicating the same across the key business and operational levels of the organisation;
- ensuring the completeness and validity of information contained in all credit media presented to the EXCOM for approval, notation, and/or ratification;
- approving and reviewing credit proposals within its authority as established by the Board of Directors; and
- reviewing large or complex credit risk exposures and potential transactions, and advising on matters of policy.

Special Accounts Management

The Bank has a special accounts management division (**SAMD**) under its Institutional Banking segment that manages and administers problem loan accounts. SAMD is responsible for the handling of remedial management of the major NPLs of Institutional Banking's corporate accounts. The Bank's relationship officers identify and transfer accounts that, in their assessment, exhibit early warning signals of a deteriorating credit or have been classified as substandard or worse.

SAMD performs the evaluation, review and monitoring of problem accounts through analysis of business/financial issues, likelihood of loss or recovery and determining documentary deficiencies, if any. It formulates and implements appropriate remedial strategies to revive and recover the credits. Remedial strategies include the restructuring and renegotiating credit agreements and terms, rescheduling of payments and filing of collection suits and extrajudicial foreclosures. SAMD provides evidentiary support to all items in litigation by acting as witness and providing evidentiary documents to support Bank's cases. SAMD seeks to maximise the recovery of the loan through continued payments, rehabilitation of the problem account, or through alternative means of payment. In cases of accounts involving a consortium of banks, the SAMD strives to take a lead role in the recovery efforts to protect the Bank's interest.

MANAGEMENT

Board of Directors

The overall management and supervision of the Bank is undertaken by its Board of Directors. The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Bank. The articles of incorporation of the Bank, as amended (the **Articles of Incorporation**) currently provide for a Board of Directors of not more than 15 Directors, at least nine of whom must be citizens of the Philippines. Directors are elected at the annual meeting of shareholders which is, in accordance with the Bank's by-laws, as amended (**By-Laws**), held on 15 April of every year. The 15 candidates receiving the highest number of votes through cumulative voting will be declared elected. Each elected Director has a term of office of one year and is eligible for re-election the following year. Currently, the Board consists of 15 Directors.

The table below sets out the members of the Board of Directors:

Name	Position	Citizenship	Age
Jaime Augusto Zobel de Ayala....	Chairman	Filipino	64
Cezar P. Consing.........................	Vice-Chairman	Filipino	63
Jose Teodoro K. Limcaoco..........	President and Chief Executive Officer	Filipino	61
Fernando Zobel de Ayala	Director	Filipino	63
Rene G. Bañez.............................	Director	Filipino	68
Karl Kendrick T. Chua	Director	Filipino	45
Octavio Victor R. Espiritu...........	Director	Filipino	79
Aurelio R. Montinola III	Director	Filipino	72
Jaime Z. Urquijo	Director	Filipino	35
Janet Guat Har Ang.....................	Independent Director	Singaporean	64
Ignacio R. Bunye.........................	Independent Director	Filipino	78
Emmanuel S. de Dios..................	Independent Director	Filipino	69
Rizalina G. Mantaring.................	Lead Independent Director	Filipino	63
Cesar V. Purisima........................	Independent Director	Filipino	63
Maria Dolores B. Yuvienco.........	Independent Director	Filipino	75

The following is a brief description of the business experience of each of the Directors:

Mr. Jaime Augusto Zobel de Ayala, Filipino, 64, has been a member of the board of directors (non-executive director) of BPI since March 1990 and chairman since March 2004. He is currently the chairman of the Bank's Executive Committee, Personnel and Compensation Committee and a member of the Nomination Committee. Mr. Zobel served as vice chairman from 1995 to March 2004.

Mr. Zobel also serves as a director of Ayala Corporation since May 1987. He is the chairman of the board of Ayala Corporation since 2006. He was its CEO from 2006 to 2021. He holds the following positions in publicly listed companies: chairman of Globe Telecom, Inc. and Ayala Land, Inc. He is also the chairman of AC Industrial Technology Holdings, Inc., AC Infrastructure Holdings Corporation, and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc.; Director of AC Ventures Holding Corp., Alabang Commercial Corporation, AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Limited.

Outside the Ayala group, he is a director of Temasek Holdings (Private) Limited and a member of various business and socio-civic organizations in the Philippines and abroad, including the JP Morgan International Council, JP Morgan Asia Pacific Council, and Mitsubishi Corporation International Advisory Council. He is a member of the Board of Governors of the Asian Institute of Management, the Advisory Board of Asia Global Institute (University of Hong Kong) and of various advisory boards of Harvard University, including the Global Advisory Council and Asia Center Advisory Committee, HBS Board of Dean's Advisors, and HBS Asia Advisory Committee. He sits on the board of Singapore Management University (SMU) and is the chairman of SMU International Advisory Council in the Philippines. He is a member of the Asia Business Council, Asean Business Club Advisory Council, Leapfrog Investment Global Leadership Council, The Council for Inclusive Capitalism, and World Wildlife Philippines National Advisory Council. He is the co-vice chairman of the Makati Business Club, the chairman of Endeavor Philippines, and a trustee emeritus of Eisenhower Fellowships.

He was awarded the Presidential Medal of Merit in 2009, the Philippine Legion of Honor with rank of Grand Commander in 2010, and the Order of Mabini with rank of Commander in 2015 by the president of the Philippines in recognition of his outstanding public service. In 2017, he was recognised as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognised for championing sustainability and the pursuit of the 17 SDGs in business.

Mr. Zobel graduated with B.A. in Economics (Cum Laude) from Harvard College in 1981 and obtained an MBA from the Harvard Graduate School of Business in 1987.

Mr. Cezar P. Consing, Filipino, 63, was elected as regular director of the Bank in April 2021. He served as President and Chief Executive Officer of BPI from 2013 to 2021. He is currently the vice chairman of BPI's Board and Executive Committee and member of Risk Management, Personnel and Compensation, and Nomination Committees. Mr. Consing also served as member of the board of directors of BPI Asset Management and Trust Corporation, BPI Capital Corporation, and BPI Direct BanKo, Inc., A Savings Bank.

Mr. Consing is the chairman of Philippine Dealing System Holdings and its three operating subsidiaries, a position he has held since 2019. Mr. Consing is a board director of the publicly listed Ayala Corporation since 2020 and was appointed as president and Chief Executive Officer in September 2022. Mr. Consing is also a board director of the following publicly listed companies: Globe Telecom (2021-present), and AC Energy (2021-present).

Mr. Consing served as the chairman and president of the Bankers Association of the Philippines from 2019-2021. He was the president of Bancnet, Inc. from 2017-2021. Mr. Consing was a partner at The Rohatyn Group from 2004-2013. He headed its Hong Kong office and its private investing business in Asia and was a board director of its real estate and energy and infrastructure private equity investing subsidiaries. Mr. Consing worked for J. P. Morgan & Co. in Hong Kong and Singapore from 1985-2004. He headed the firm's investment banking business in Asia Pacific from 1997-2004 and served as president of J. P. Morgan Securities (Asia Pacific) Ltd. as a senior managing director, Mr. Consing was a member of the firm's Global Investment Banking Management Committee, its Asia Pacific Management Committee, and its Global Managing Director Selection Committee.

Mr. Consing worked for BPI from 1980-1987, as a management trainee and eventually as assistant vice president. Mr. Consing has served as an independent board director of the following publicly listed companies in Asia: Jollibee Foods Corporation (2010-2021), CIMB Group Holdings (2006-2013), and First Gen Corporation (2005-2013), and a board director of National Reinsurance Corporation (2014-2019), where he also served as chairman (2018-2019). He currently serves on the board of FILGIFTS.com. He has also served on the boards of SQREEM Technologies, Endeavor Philippines and the Hongkong based Asian Youth Orchestra. He is a board director of the US-Philippines Society and the Philippine-American Educational Foundation, and a board trustee of the Manila Golf Club Foundation. He is a member of the National Mission Council of De La Salle Philippines and a board trustee of College of St. Benilde. Mr. Consing has been a member of the Trilateral Commission since 2014.

Mr. Consing received an A.B. Economics degree (Accelerated Program), Magna Cum Laude, from De La Salle University, Manila, in 1979. He obtained an M.A. in Applied Economics from the University of Michigan, Ann Arbor, in 1980.

Mr. Jose Teodoro K. Limcaoco, Filipino, 61, was elected as President and Chief Executive Officer of BPI in April 2021.

He serves as chairman of BPI Capital Corporation, BPI Asset Management and Trust Corporation Doing Business under the Trade Name and Style of BPI Wealth – A Trust Corporation, BPI/MS Insurance Corporation, BPI AIA Life Assurance Corporation, BPI Europe Plc, Bankers Association of the Philippines and BAP Data Exchange, Inc.; president and vice chairman of The Bank of the Philippine Islands Foundation, Inc.; vice chairman of BPI Century Tokyo Lease & Finance Corporation and BPI Tokyo Century Rental Corporation, and director of Philippine Dealing System Holdings Corp. Previously, he served as president of BPI Family Savings Bank from 2010-2015 and president of BPI Capital Corporation from 2007-2010. He was also director/treasurer of Ayala Life Assurance, Inc. in 2009, director/chairman of Ayala Plans, Inc. in 2010-2015, and director of Globe Fintech Innovations, Inc. in 2017-2022 and AC Energy International Inc. in 2019-2022. He also worked at BPI from 1989 to 1992 and at BPI Capital from 1995 to 1997.

From 2015 to 2021, he was a Senior Managing Director and the Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer and Finance Group Head of Ayala Corporation. He served as a director of publicly listed companies Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and as a director of SSI Group, Inc. He also served as a director of a number of Ayala group companies including those involved in healthcare, infrastructure, education, energy, and industrial technologies.

Mr. Limcaoco joined Ayala Corporation as a managing director in 1998. His responsibilities prior to his secondment to BPI in 2007 included assistant treasurer of Ayala Corporation, trustee and treasurer of Ayala Foundation, Inc., president of myAyala.com, and director/treasurer of Azalea Technology Investments, Inc. from 2001-2006.

He served as the president of the Chamber of Thrift Banks from 2013-2015. He was named as the ING-Finex CFO of the Year in 2018. He has held prior positions with JP Morgan & Co. and with BZW Asia.

He is a director and treasurer of Just For Kids, Inc., a family-owned company.

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.

Mr. Fernando Zobel de Ayala, Filipino, 63, was elected as director of BPI on 20 September 2023. Mr. Zobel serves as special advisor to the Board of Directors of Ayala Corporation and Ayala Land Inc. He is an independent director of Shell Pilipinas Corporation (formerly Pilipinas Shell Petroleum Corporation) and chairman of Alabang Commercial Corp., Accendo Commercial Corp. and Ayala Foundation, Inc. He is the vice chairman of AC Ventures Holdings, Inc., and a director of AC International Finance Ltd. and AG Holdings Ltd. He also serves as member of the board of trustees of Pilipinas Shell Foundation.

Mr. Zobel was formerly the president and Chief Executive Officer of Ayala Corporation and chairman of Ayala Land, Inc., AC Energy Corporation, AC Energy and Infrastructure Corporation, Liontide Holdings, Inc. and Ayala Healthcare Holdings, Inc. He was co-vice chairman of Globe Telecom, Inc. and director of Manila Water Company, Inc and Integrated Micro-Electronics, Inc. He was a member of the board of directors of BPI as non-executive director starting October 1994 and elected as vice chairman in April 2013 until his resignation in September 2022. He was also a director of BPI Asset Management and Trust Corporation and chairman of the board of trustees of the Bank of the Philippine Islands Foundation, Inc.

He holds a liberal arts degree from Harvard College and a Certificate of International Management (CIM) from INSEAD, France.

Mr. René G. Bañez, Filipino, 68, was elected as director of BPI in August 2021. He is a member of the Bank's Executive, Related Party Transaction, and Retirement/Pension Committees. Mr. Bañez also serves as a board director of BPI Asset Management and Trust Corporation and BPI Capital Corporation.

Mr. Bañez served as the commissioner of the Bureau of Internal Revenue (BIR) from February 2001 to August 2002 and as deputy commissioner from June 1993 to November 1995.

In the private sector, he held several senior-level positions in PLDT until his retirement in 2016. He was senior vice president and head of the Supply Chain, Asset Protection and Management Group, from 2008 to 2016; senior vice president and chief governance officer from 2004 to 2007; corporate governance advisor from 2003 to 2004; senior vice president, Support Services and Tax Management from 2000 to 2001; and first vice president, Support Services and Tax Management from 1998 to 2000. Prior to joining PLDT, he was Group Tax Director of Metro Pacific Investment Corporation until 1998.

Before his appointment to the BIR in 1993, he spent more than 11 years at accounting firm Isla Lipana & Co./PwC (formerly Joaquin Cunanan & Co.), starting as a tax consultant in 1982 until he became tax principal (Partner) from 1990 to 1993. He was a faculty member at the Ateneo de Manila University College of Law, handling Taxation, from 1990 to 2007.

He is affiliated with the Equestrian Order of the Holy Sepulchre, and is a member of the Finance Board of the Archdiocese of Manila and Diocese of Pasig, a board member/trustee of Radio Veritas Corporation, Pope Pius Foundation, Catholic Travel Inc., Mirador Jesuit Villa & Retreat House Corporation, Loyola School of Theology Corporation, Solidaritas Fund and Unitas Asia Corp. (a subsidiary of Radio Veritas Asia).

Mr. Bañez earned his Bachelor of Laws degree in 1981 and his Bachelor of Arts degree in 1976 both from Ateneo de Manila University.

Mr. Karl Kendrick T. Chua, Filipino, 45, was elected as director of BPI in April 2023. He is member of BPI's Retirement/Pension Committee. He is also a director of BPI Direct BanKo, Inc. A Savings Bank. Mr. Chua is a former Secretary of the National Economic and Development Authority and Undersecretary for Strategy, Economics, and Results at the Department of Finance. He has extensive experience in the areas of economic and fiscal policy, statistical development, national identification, labor and social protection policy, poverty analysis, and digital transformation, among others.

He is a managing director at Ayala Corporation, an independent director of D&L Industries, Inc. and Golden ABC, Inc., and a board adviser to LH Paragon Group of Companies.

Mr. Chua was a senior official in the Government of the Philippines for six years. As Secretary of Socioeconomic Planning and Chief Economist of the country, he provided strategic leadership on economic policy during the Covid-19 pandemic and the further liberalization of key sectors of the economy. He also oversaw the implementation of the national ID program.

As Undersecretary in the Department of Finance, he led the technical team in the passage of the Comprehensive Tax Reform Program and the Rice Tariffication Law. Prior to joining the government, he was with the World Bank for 12 years and was the senior economist for the Philippines.

Mr. Chua graduated from the Ateneo De Manila University in 2000 with a degree in B.S. Management Engineering. He earned his M.A. Economics (2003) and Ph.D Economics (2011) from the University of the Philippines, and is currently studying data science at the Asian Institute of Management.

Mr. Octavio Victor R. Espiritu, Filipino, 79, has been a member of the board of directors of BPI since April 2000 and an independent director since April 2003 until May 2021. He is currently the chairman of Risk Management Committee and member of the Audit Committee. He was appointed lead independent director in April 2019 until May 2021.

Mr. Espiritu is an independent director of Bloomberry Resorts Corporation and Manila Water Company Inc., a member of the board of directors of Philippine Stratbase Consultancy, Inc., Pueblo de Oro Golf & Country Club, and The Country Club, Inc. He is the chairman of GANESP Ventures, Inc. and MAROV Holding Company, Inc. He is also a trustee and board member of the Carlos P. Romulo Foundation.

Mr. Espiritu was the president and Chief Executive Officer of Far East Bank & Trust Company (which merged with the Bank of the Philippine Islands in the year 2000) from 1984 until April 2000. He was also the president of the Bankers Association of the Philippines for three consecutive terms from March 25, 1991 to March 28, 1994. He served as the chairman of the board of trustees of Ateneo de Manila University for 14 years.

He graduated with an A.B. Economics degree from the Ateneo de Manila University in 1963 and obtained his M.A. Economics degree from Georgetown University, U.S.A in 1966.

Mr. Aurelio R. Montinola III, Filipino, 72, has been a member of the board of directors of BPI since 2004. 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. He also served as chairman of BPI/MS Insurance Corporation from 2005-2015 and remained as a director until June 2022. He is the chairman of the Bank's Retirement/Pension Committee and member of the Bank's Executive, and Personnel & Compensation Committees. Mr. Montinola is also member of the board of directors of BPI Capital Corporation. He was member of the board of directors of BPI Direct BanKo, Inc., A Savings Bank, and The Bank of the Philippine Islands Foundation, Inc.

Mr. Montinola is the chairman of Far Eastern University, Inc. and an independent director of Roxas and Company, Inc., both PSE-listed companies. Among others, he is also the chairman of Ramon Magsaysay Award Foundation, Amon Trading Corporation, Roosevelt College, Inc. and East Asia Computer Center, Inc. He is a member of the board of trustees of the Philippine Business for Education Inc. where he sits as vice chairman, and he is a trustee of AIA Philippines Life and Genreal Insurance Company, Inc.

Significant awards received by Mr. Montinola include Management Man of the Year 2012 (Management Association of the Philippines), Asian Banker Leadership Award (twice), and Legion d'Honneur (Chevalier) from the French Government.

He obtained his Bachelor of Science in Management Engineering degree at the Ateneo de Manila University in 1973 and his MBA from the Harvard Business School in 1977.

Mr. Jaime Z. Urquijo, Filipino, 35, was elected as director of BPI in September 2022. He is a member of BPI's Corporate Governance Committee. Mr. Urquijo serves as a director of AC Industrial Technology Holdings, Inc., ACE Enexor, Inc., Merlin Solar Technologies, Inc., Merlin Solar Technologies, Inc. (Philippines), Renewable Energy Joint Stock Company, BIM Energy Joint Stock Company, BIM Wind Power Joint Stock Company, BPI/MS Insurance Corporation and Integrated Micro-Electronics, Inc. He is presently vice-president at ACEN Corporation (formerly AC Energy Corporation) and an associate director at Ayala Corporation.

Mr. Urquijo served as director of BPI AIA Life Assurance Corporation (formerly BPI-Philam Life Assurance Corporation) from 2021 to 2022. He held a key manager position in the Corporate Strategy and Business Development Group of Ayala Corporation from 2016 to 2021. He was a founding member and Head of Business Development of AF Payments, Inc. from 2014 to 2016, a joint venture between Ayala Corporation and the Metro Pacific group which won a Public Private Partnership (PPP) concession to replace the ticketing system of the LRT and MRT of Metro Manila with a unified contactless ticketing system, called the beep card. The beep card was the first interoperable transport card in the Philippines.

Mr. Urquijo started his career at J.P. Morgan in New York in 2010 and was an analyst and associate until 2013. He graduated with a B.A. in Political Science from the University of Notre Dame and received his M.B.A. from INSEAD in 2018.

Ms. Janet Guat Har Ang, Singaporean, 64, was elected as an independent director of BPI in May 2021. She is a member of the Bank's Risk Management Committee.

Ms. Ang is currently the chairperson of SISTIC.com Pte Ltd, National University of Singapore – Institute of Systems Science and Singapore Polytechnic. Ms. Ang is also the deputy chairperson of the Singapore Business Federation Foundation as well as member of the Board of The Esplanade Company Ltd, the Home Team Science & Technology Agency.

Ms. Ang serves on the Council for Board Diversity and the Singapore Business Federation, and is a Senior Advisor of the RGE Group and independent director of the Tanoto Foundation. She is a Fellow of the Singapore Computer Society, a Fellow of Singapore Institute of Directors and a member and past president of the International Women's Forum (Singapore). She is a nominated Member of the Parliament of Singapore and Singapore's Non-Resident Ambassador to the Holy See.

Ms. Ang had a thirty-seven-year career in the information technology industry and had lived and worked in Japan and China over a span of eleven years. She was a managing director of IBM Singapore from 2001 to 2003 and again from 2011-2015. Her last executive role was as IBM Vice President, Head of Industry Solutions of IBM Asia Pacific. She was also an Independent Director of SPH Ltd from 2014-2022 and Chairperson of the Board of Trustees of Caritas Singapore Agape Fund from 2019-2022.

Ms. Ang was awarded The Public Service Medal in 2019. She was also awarded the Singapore Computer Society IT Leaders Award – Hall of Fame in 2018, the NUS Distinguished Alumni Service Award in 2015, the NUS Business School Eminent Alumni Award in 2014 and, most recently, the NUS Outstanding Service Award 2021.

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

Mr. Ignacio R. Bunye, Filipino, 78, was elected as an independent director of BPI in April 2016. He is the chairman of the Bank's Related Party Transaction Committee. Mr. Bunye also serves as an independent director of BPI Wealth, BPI Direct BanKo, Inc., A Savings Bank and BPI Capital Corporation.

Mr. Bunye was a member of the Monetary Board of the BSP from 2008 to 2014. He previously held the positions of Presidential Political Adviser in 2008, Presidential Spokesperson in 2003, and Press Secretary in 2002. He also worked in BPI's Treasury and Corporate Finance departments from 1983 to 1986 before he began his government service in the City of Muntinlupa (then a municipality) as officer-in-charge and later as Mayor between 1986 and 1998.

During his twelve-year stewardship in Muntinlupa, Mr. Bunye founded the Muntinlupa Polytechnic College (now *Pamantasan ng Lungsod ng Muntinlupa*) and laid the foundation for the establishment of the *Ospital ng Muntinlupa*. In a concurrent capacity, he also served as Chairman of the Metropolitan Manila Authority (now Metropolitan Manila Development Authority) between 1991 and 1992, and was a member of the House of

Representatives representing Muntinlupa between 1998 and 2001. A former print and broadcast journalist, he now writes a regular weekly column for Manila Bulletin, Tempo, People's Tonight, Sun Star, BusinessWeek Mindanao, Panay News and Filipino Reporter (in New York).

Significant awards and recognition received by Mr. Bunye include the Asian Institute of Management Honor and Prestige Award, the Bangko Sentral Service Excellence Medal, the Gran Oden de Isabela Catolica, and the Order of Lakandula (rank of Bayani).

Mr. Bunye is a member of the Integrated Bar of the Philippines. He obtained his Bachelor of Arts degree and Bachelor of Laws degree from the Ateneo de Manila University in 1964 and 1969, respectively. He passed the Philippine Bar Examination in 1969. He also attained his degree in Masters in Management from the Asian Institute of Management in 1976.

Mr. Emmanuel S. De Dios, Filipino, 69, was elected as independent director of BPI in April 2022 and is the chairman of the Corporate Governance Committee. Mr. de Dios is a board member of ABS-CBN Corporation and was appointed as independent director on April 23, 2013. Mr. de Dios was a Professor of Economics at the University of the Philippines School of Economics from 1980 and retired as emeritus professor in 2019. He is also the President of Human Development Network (Philippines) since July 2012. He is the current trustee/chairman of Pulse Asia Research, Inc.

He was the Dean of the University of the Philippines School of Economics from 2007 to 2010.

He received his AB Economics degree from the Ateneo de Manila University (cum laude) in 1978 and his Ph.D. in Economics from the University of the Philippines in 1987. He pursued post-doctoral studies at the Universität Konstanz in Germany from 1987 to 1988 and is the author or editor of various books, monographs, articles and reviewers in economics.

Ms. Rizalina G. Mantaring, Filipino, 63, was elected as independent director of BPI in April 2023. She is the chairman of BPI's Risk Management Committee, and member of the Corporate Governance and Retirement/Pension Committees. She is an independent director of Ayala Corporation, First Philippine Holdings Corporation, Universal Robina Corporation, PHINMA Corporation, Maxicare Healthcare Corporation, GoTYME Bank and East Asia Computer Center Inc. She is also a director of Sun Life Grepa Financial Inc.

She was CEO & Country Head of Sun Life Financial Philippines from 2009 – 2018, Chief Operations Officer of Sun Life Financial Asia, responsible for IT & Operations across the region, from 2008-2009. She is a Trustee of the Makati Business Club and Philippine Business for Education. She is also a Fellow of the Foundation for Economic Freedom.

Ms. Mantaring was recognised by prestigious award-giving bodies, among which were the Asia Talent Management award at CNBC's 2017 Asia Business Leader Awards, the 2018 Executive Champion of the Year from the Asia Insurance Review and the Asia Pacific Entrepreneurship Award (Financial Services, Philippines) in 2016. In 2010, on the occasion of the 100th anniversary of the UP College of Engineering, she was named one of the college's 100 Most Outstanding Alumni of the Past Century. In 2019 she received the PAX award, the highest award conferred by St. Scholastica's College on an outstanding alumna.

A graduate of the University of the Philippines with a B.S. Electrical Engineering degree (cum laude), Ms. Mantaring has an M.S. Computer Science from The State University of New York at Albany and is a Fellow of the Life Management Institute (with distinction).

Mr. Cesar V. Purisima, Filipino, 63, was elected as independent director of BPI in January 2021. He is the chairman of BPI's Nomination Committee, and member of the Executive, Risk Management and Audit Committees. He also serves as a member of the board of directors of BPI Capital Corporation.

Mr. Purisima also currently serves as an independent director of Ayala Corporation, Ayala Land, Inc., Universal Robina Corporation, and Jollibee Foods Corporation. He is also a founding partner of lkhlas Capital Singapore Pte. Ltd., a pan-ASEAN private equity platform. He is a member of the board of AlA Group Limited, a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation, a member of Singapore Management University's lnternational Advisory Council in the Philippines and member of the Board of Advisors of ABS-CBN. He is also a member of the board of trustees of the World Wildlife Fund-Philippines, De La Salle University, and the International School of Manila. He is an Asia Fellow at the Milken Institute, a global, non-profit, non-partisan think tank.

Mr. Purisima served in the government of the Philippines as Secretary of Finance and chair of Economic Development Cluster of the President's Cabinet from July 2010 to June 2016 and as secretary of Trade and Industry from January 2004 to February 2005. He also previously served on the boards of a number of government institutions, including as a member of the Monetary Board of the BSP, Governor of the Asian Development Bank and World Bank for the Philippines, Alternate Governor of the International Monetary Fund for the Philippines, and chairman of the Land Bank of the Philippines. Under his leadership, the Philippines received its first investment-grade ratings. He was named Finance Minister of the Year seven times in six consecutive years by a number of publications, a first for the Philippines. Prior to serving the government, Mr. Purisima was the chairman & country managing partner of the Philippines' largest professional services firm SGV & Co.

He was conferred the *Chevalier dans I'Ordre national de Ia Legion d'Honneur* (Knight of the National Order of the Legion of Honour) by the president of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the president of the Philippines in 2016, and the *Chevalier de I'Ordre national du Merite* (Knight of the National Order of Merit) by the president of the French Republic in 2001.

Mr. Purisima is a certified public accountant and has extensive experience in public accounting both in the Philippines and abroad. Mr. Purisima obtained his Bachelor of Science in Commerce (Majors in Accounting & Management of Financial Institutions) degree from De La Salle University (Manila) in 1979, Master of Management degree from J.L. Kellogg Graduate School of Management, Northwestern University in 1983 and Doctor of Humanities *honoris causa* degree from Angeles University Foundation (Philippines) in 2012.

Ms. Maria Dolores B. Yuvienco, Filipino, 75, was elected as director of BPI in April 2014 and as independent director in April 2016. Ms. Yuvienco currently serves as the chairman of the Audit Committee, a member of the Related Party Transactions Committee and the Personnel and Compensation Committee. In July 2019, Ms. Yuvienco was elected as independent director of BPI Asset Management and Trust Corporation, and designated chairman of the AMTC Corporate Governance Committee and a member of the AMTC Risk Oversight Committee.

She serves as independent director of First Consolidated Bank (Thrift Bank), and chairman of the Nomination and Governance Committee.

Ms. Yuvienco worked for 41 years with the BSP (formerly known as Central Bank of the Philippines) under various capacities until her compulsory retirement in March 2013. She held the post of Assistant Governor in the Supervision and Examination Sector when she retired. Her exposure at the BSP was largely in bank supervision where her responsibilities ranged from the crafting of policies/regulations on banking supervision to supervising on-site examination and off-site monitoring of BSP-supervised entities. As a ranking official in the BSP, she had opportunities to meet and share ideas with her counterparts in other central banks in the region. Owing to her experience, she was tapped as a resource speaker in various training programs of the Southeast Asian Center for Banking in Kuala Lumpur.

Ms. Yuvienco attended the Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit (The Board's Agenda: Mindset Shifts for a Sustainable and Equitable Future) held by Institute of Corporate Directors (ICD) on 18 October 2022 to comply with the requirement of the BSP.

Ms. Yuvienco graduated from St. Theresa's College, Quezon City in 1967, with a degree of Bachelor of Science in Commerce, major in Accounting. She took up post graduate studies at the University of the Philippines Diliman. She is a Certified Public Accountant and a Career Executive Service Professional.

Key Executive Officers of the Bank

The executive officers (**Executive Officers**) of the Bank, subject to control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors.

The Executive Officers are appointed/elected by the Board of Directors at the organisational meeting following the stockholders' meeting, each to hold office for a period of one year.

The following is a list of Key Executive Officers of the Bank:

Position	Name	Age	Citizenship
President and Chief Executive Officer	Jose Teodoro K. Limcaoco*	61	Filipino
Executive Vice-President and Head of Consumer Banking	Maria Cristina L. Go	53	Filipino
Senior Vice-President, Chief Finance Officer and Chief Sustainability Officer	Eric Roberto M. Luchangco	53	Filipino
Executive Vice-President and Head of the Mass Retail	Marie Josephine M. Ocampo	61	Filipino
Executive Vice-President and Head of Institutional Banking	Juan Carlos L. Syquia	57	Filipino
Senior Vice-President and Chief Risk Officer	Ma. Cristina F. Asis	52	Filipino
Executive Vice-President and Head of Enterprise Operations	Eugenio P. Mercado	60	Filipino

Note:

* also members of the Board of Directors

The following is a brief description of the business experience of each of the Key Executive Officers:

Mr. Jose Teodoro K. Limcaoco. Please see above under "—*Board of Directors*."

Ms. Maria Cristina L. Go, Filipino, 53, took leadership of the newly formed Consumer Banking segment comprised of the different businesses that primarily serve the needs of BPI's over 9 million individual customers in August 2021, following the merger of BPI and BPI Family Savings Bank where she served as its President since June 2017. Consumer Banking is comprised of the branches, retail digital platforms, core retail products specifically deposits, auto loans, housing loans and bancassurance and the support services. Since the consolidation of these businesses into OneConsumer bank, Ms. Go has steadfastly focused on driving strategy focused on transforming the customer experience towards becoming what the bank refers to as "phygital", leveraging on the bank's vast physical presence to offer trusted advice through its 9,100-strong cadre of expert bank personnel complimented by best-in-class digital capabilities that make banking easier and more convenient, anytime, anywhere. In the past year, Consumer Banking has been able to aggressively expand the retail customer base with new digital product offerings, increase market shares in deposits and loans through enhanced customer engagements and business partnerships, and improve asset quality through innovative risk management and recovery initiatives. Ms. Go inspired a high performing, agile and collaborative culture to be able to serve the ever changing needs of customers.

In BFSB, she transformed processes, products and culture to be resilient and relevant to the changes in the economic, industry and customer landscape and enabled high quality business growth by putting in place scorecard models, data-driven decision making, and lending programs. She preserved BFSB's leadership position in the thrift bank industry until the effectivity of the OneBPI merger in January 2021. Prior to assuming leadership of BFSB, she served as Group Head of BFSB Retail Loans after heading BPI's Payments and Unsecured Lending Group where she led initiatives and innovations that differentiated BPI in the industry, such as the launches of the first EMV compliant credit cards and Real Thrills, the first instant rewards program.

Before joining BPI, Ms. Go was Vice President at Citibank Philippines managing the bank's Retail Bank Marketing then at Citibank Credit Cards Cross Sell Division in New York. She also worked in Ayala Land, Inc. to establish and head its Market Planning and Development Division and started her career in Procter & Gamble. She served as the Secretary and Trustee of the Chamber of Thrift Banks. She currently serves as Director and Chairman of the Personnel Committee of BPI MS Insurance Corporation, Chairman of 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 organised in 2013. She serves as a mentor for high-impact entrepreneurs in Endeavor Philippines and writes for the Philippine Star's Property Report. She is a member of the Management Association of the Philippines, Harvard Global Club of the Philippines, Filipina CEO Circle and NextGen Organization of Women Corporate Directors. 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 the UP College of Business Administration's Distinguished Alumni in 2012 and one of the Most Influential Filipina Women by the Global Filipina Women's Network in 2016.

Mr. Eric Roberto M. Luchangco, Filipino, 53, was appointed to his current position as CFO, Chief Sustainability Officer, and head of Strategy and Finance effective June 2022. In this role, he oversees BPI's strategic planning and budgeting, capital structure, investor relations and sustainability agenda.

Immediately prior, Mr. Luchangco was Head of Business Banking from June 2019 until May 2022, where he managed BPI's presence within the SME space, which had been identified as a growth area for BPI, with a vision of becoming the partner of choice for SMEs in the Philippines.

Mr. Luchangco initially joined the BPI group in 2013, starting with BPI Capital, BPI's investment banking unit, as Head of Debt Capital Markets. He later expanded his responsibilities to concurrently become Head of Execution and Treasurer of BPI Capital. In June 2017, he moved into BPI to become the Head of Corporate Credit Products, where his team managed the credit reviews and renewals of all the accounts under the Corporate Bank team.

Prior to joining BPI, Mr. Luchangco worked at Daiwa Capital Markets, spending time in their Manila, Hong Kong and Singapore offices, originating and executing a wide variety of investment banking transactions.

Mr. Luchangco graduated Management Economics from Ateneo de Manila University, and received his MBA degree from the Ross School of Business at the University of Michigan.

Ms. Marie Josephine M. Ocampo, Filipino, 61, is the Head of the Mass Retail Segment of BPI, where 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 the Board of BanKo, the bank's micro-finance subsidiary. She is a member of the Board of BPI Payments Holdings Inc., Global Payments AsiaPacific Philippines, Inc., AF Payments Inc., 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, BPI'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 BPI's data warehouse and customer analytics capabilities into its distinct competitive advantage. Ms. Ocampo also developed BPI's CRM initiatives on top of driving BPI'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 over 10 years of marketing experience in Procter & Gamble and Johnson & Johnson Australia and the Philippines, where she led the expansion of J&J'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.

Mr. Juan Carlos L. Syquia, Filipino, 57, is the head of Institutional Banking and a Director of BPI Capital Corporation. His responsibilities include managing the Corporate Banking Relationship Management, Commercial Banking Relationship Management, Corporate & Commercial Credit Products, Transaction Banking (Cash Management and Trade), Remittance & Fund Transfer, and Investment Banking (which includes Equity Brokerage).

Mr. Syquia has over 30 years of work experience in the financial services industry. Before taking on his current role, he was the President of BPI Capital Corporation and Co-Head for Investment Banking for BPI. He re-joined the BPI group via BPI Capital Corporation in June 2016. Prior to this, Mr. Syquia was Managing Director and Country Head of Corporate Clients for Standard Chartered Bank in the Philippines serving in that role from late 2011. In that role, he was principally responsible for wholesale banking strategy of the bank in the Philippines.

Mr. Syquia spent 17 years with the ING Group where he started with Baring Brothers & Co. in 1994. Within the banking group of ING, he took on various roles in relationship management, corporate finance origination, and investment banking execution. His last role in ING Bank was as Managing Director, Head of Corporate Finance at ING Bank Manila. In 2007, he moved to a regional role as Head of Strategy and Business Development at ING Asia Pacific Ltd., the regional hub of ING Group's life insurance and asset management practice. He held Board of Director positions at ING Insurance Bhd. (Malaysia), Pacific Antai Life Insurance Co. (Shanghai, China), ING Vysya Life Insurance (India).

Mr. Syquia is a product of BPI's Officer Training Program which he completed in 1990 during his first stint at the Bank. In 1991, he was assigned to the Cebu region where he formed part of a two-man team that established the Corporate Banking Division desk in Cebu. He carries an MBA Degree (Honors) with a concentration in Finance and International Business from Fordham University, NY as well as an AB degree in Management Economics from the Ateneo de Manila University.

Ms. Ma. Cristina F. Asis, Filipino, 52, has held the position of BPI's Chief Risk Officer Since July 2023. She also serves as the Chairperson of the Fraud and Irregularities Committee, Co-Chairperson of the Data Governance Steering Committee, and Deputy Commander of the Crisis Resiliency Committee. Additionally, she is a member of the IT Project Steering Committee and the Operational Risk Management Committee, and holds positions as a member of the Sustainability Council and the IT Infrastructure Governance Committee in non-voting and non-regular capacities, respectively. Furthermore, she provides advisory support to the Finance Committee and the Information Technology Steering Committee, and is a Resource Person on the Money Laundering Evaluation Committee in a non-voting capacity.

Ms. Asis has held various functions and responsibilities as Relationship Manager, Market Head, and Team Head in Institutional/Corporate Banking and as a member of the BPI Sub-Credit Committee. Ms. Asis joined Risk Management in 2017 as Head for Credit Policy and Risk Management (**CPRM**), responsible for both corporate and retail lending risk management. Ms. Asis is a graduate of the University of the Philippines Diliman with a Bachelor's degree in Business Economics. She completed her Master's degree in Economics at the same university. She has successfully completed the BPI Digital Leadership Masterclass by the National University of Singapore, as well as completed corporate governance modules facilitated by the Institute of Corporate Directors (**ICD**).

Mr. Eugenio Mercado, Filipino, 60, has been with BPI for 25 years. He graduated *cum laude* from the University of the Philippines with a degree of BS Economics in 1984.

He is a product of the BPI-Far East Bank merger where he was Head of Credit Initiation and Collections Division (AVP). He started his career as a Research Assistant/Credit Appraiser of the then Commercial Bank of Manila (now Bank of Commerce). In 1988, he transferred to San Miguel Corporation where he worked for four years as Credit Analyst/Appraiser based in San Fernando, Pampanga. In 1992, he went back to the banking industry and worked as Credit and Fraud Analyst of Citibank.

He is currently a Board Member of various subsidiaries of BPI, including Ayala Plans, Inc. and BPI Payments Holdings, Inc. He is also currently a Director of PCHC.

Compensation of Executive Officers

Information as to the aggregate compensation for the years ended 31 December 2021, 2022 and 2023 paid to (i) the Bank's Chief Executive Officer and four other most highly compensated executive officers as a group and (ii) all other unnamed Officers as a group are as follows:

	For the year ended 31 December		
	2021	**2022**	**2023**
		(₱)	
Chief Executive Officer and four other most highly compensated executive officers as a group:			
Salary	187,848,883.51	230,079,237.00	318,171,264.00
Bonuses	72,813,500.00	78,575,300.00	122,900,000.00
Total	**260,662,383.51**	**308,654,537.00**	441,071,264.00
All other unnamed Officers as a group:			
Salary	8,732,179,018.14	9,869,329,389.00	13,175,548,168.00
Bonuses	1,029,675,000.00	1,110,535,100.00	1,938,160,346.00
Total	**9,761,854,018.14**	**10,979,864,489.00**	**15,113,708,514.00**

The executive officers receive salaries, bonuses and other usual bank benefits that are included in the amounts stated above. In additional to these amounts, the Bank also grants stock options to its executive officers pursuant to the terms of its ESOP.

Compensation of Directors

Article V of the Bank's Amended By-Laws provides: "Each director shall be entitled to receive from the Bank, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Bank during the preceding year. The Personnel and Compensation Committee of the Bank shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the Committee shall be guided by the objective of ensuring that compensation should fairly pay directors for work required in a company of the Bank's size and scope."

In 2021, 2022 and 2023, the members of the board each received per diem in the amount of ₱70,000.00 and ₱30,000.00 per board and committee meeting attended, respectively.

Effective September 2023, the members of the board each received per diem in the amount of ₱35,000.00 per board and ₱15,000.00 per committee resolution undertaken through unanimous consent.

Directors who hold executive or management positions do not receive directors' fees or per diems.

Other than the above-mentioned compensation for Directors, the Bank has no other arrangement with regard to compensation of Directors, directly or indirectly, for any other services provided by the said directors, for the respective fiscal year.

Involvement of the Bank, the Directors and Executive Officers in Certain Legal Proceedings

The Bank has been, and may in the future be, implicated in lawsuits in connection with the ordinary course of its business. In its letter dated 3 February 2023, the SEC assessed penalties against the Bank for violation of Section 8.1 of the SRC in the amount of ₱134,622,017.59, for omitting to secure SEC's confirmation of exemption from registration for its 7-year Executive Stock Purchase Plan and Executive Stock Option Plan (ESPP/ESOP) launched in 2013. The PSE also cited the Bank for possible trading of unlisted shares in connection with the 2013-2019 ESPP/ESOP. The Bank was fined, and paid, ₱30 million in penalties each to the SEC and the PSE.

The current Directors and the Executive Officers are not, presently or during the last five years, involved or have been involved in any material legal proceeding adversely affecting or involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere.

Board Committees

Specific responsibilities of the Board are delegated to its sub-committees: the Executive Committee, the Nomination Committee, the Personnel and Compensation Committee, the Audit Committee, the Corporate Governance Committee, the Retirement and Pension Committee, the Related Party Transaction Committee and the Risk Management Committee. A brief description of the functions and responsibilities of the key committees are set out below:

A. Executive Committee

The Executive Committee, between meetings of the Board, possesses and exercises all powers of the Board in the oversight and direction of the affairs of the Bank subject to the provisions of the Bank's Amended By-Laws, Manual on Corporate Governance, the limitations of the law and other applicable regulations. The Executive Committee approves all major policies and oversees all major risk-taking activities. The committee is chaired by Jaime Augusto Zobel de Ayala and its other members are Cezar P. Consing, Fernando Zobel de Ayala, Rene G. Banez, Jose Teodoro K. Limcaoco, Aurelio R. Montinola III, and Cesar V. Purisima.

B. Nomination Committee

The Nomination Committee ensures that all Directors of the Board to be nominated meet the qualifications indicated in the Bank's Manual on Corporate Governance. It is also tasked to encourage the selection of a mix of competent Directors as well as reviews and evaluates the qualifications of all persons nominated to positions in the Bank which require the appointment of the Board. The Nomination Committee ensures that candidates for nomination 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 or her capacity as Director and member of board-level committees. The Nomination Committee also guides election activities, appointments and re-composition of committee memberships as part of the succession planning process to align with best practices. The committee is chaired by Cesar V. Purisima and its other members are Jaime Augusto Zobel de Ayala and Cezar P. Consing.

C. Personnel and Compensation Committee

The Personnel and Compensation Committee directs and ensures the development and implementation of long term Human Resources strategy and plan based on the Board's vision of the organisation, particularly those relating to organisation values, human resource policies, compensation, recognition and rewards and succession development plans. The committee is chaired by Jaime Augusto Zobel de Ayala and its other members are Cezar P. Consing, Fernando Zobel de Ayala, Aurelio R. Montinola III and Maria Dolores B. Yuvienco.

D. Audit Committee

The Audit Committee monitors and evaluates the adequacy and effectiveness of the Bank's internal control system, risk management, compliance, and governance practices. It provides oversight on the integrity of the Bank's financial statements and financial reporting process, performance of the internal and external audit functions and compliance with bank policies, applicable laws, and regulatory requirements. The Audit Committee also approves the external auditor's annual audit plan and scope of work, and assesses its overall performance and effectiveness. In consultation with management, the Audit Committee also approves the external auditor's terms of engagement and audit fees. The committee is chaired by Maria Dolores B. Yuvienco and its other members are Octavio Victor R. Espiritu and Cesar V. Purisima.

E. Corporate Governance Committee

The Corporate Governance Committee assists the Board in fulfilling the Bank's corporate governance responsibilities and offers recommendations for the Bank's corporate governance framework and to address, in particular, BPI's conformance to BSP Circular No. 969, BSP Circular No. 900, SEC Memorandum Circular No. 19, series of 2016, as well as best practices espoused by the ASEAN Corporate Governance Scorecard (ACGS). This includes remedial action for regulatory compliance, policy development, oversight of the corporate governance framework and practices as well as compliance testing of the Bank's subsidiaries. The Committee also provides guidance with respect to corporate governance matters concerning the BSP and the SEC. The committee is chaired by Emmanuel S. de Dios and its other members are Rizalina G. Mantaring and Jaime Z. Urquijo.

F. Retirement and Pension Committee

The Retirement and Pension Committee oversees the fiduciary, administrative, investment portfolio, and other non-investment aspects of the Bank's retirement plan. The committee is chaired by Aurelio R. Montinola III and its other members are Rene G. Banez, Karl Kendrick T. Chua and Rizalina G. Mantaring.

G. Related Party Transaction Committee

The Related Party Transaction Committee is charged with ensuring that the Bank's dealings with the public and various stakeholders are imbued with the highest standards of integrity. In conjunction with the Executive, Audit, Risk, and Corporate Governance Committees, the Related Party Transaction Committee endeavours to ensure compliance with BSP regulations and guidelines on related party transactions. It independently reviews, vets, and endorses significant and material related party transactions above the transactions qualifying under directors, officers, shareholders, and related interest restrictions in order to ensure that these transactions are dealt on terms no less favourable to the Bank than those generally available to an unaffiliated third party under the same or similar circumstances. The committee is chaired by Ignacio R. Bunye and its other members are Maria Dolores B. Yuvienco and Rene G. Banez.

H. Risk Management Committee

The Risk Management Committee implements and oversees the enterprise risk management program to assist the board in fulfilling its corporate governance responsibilities relating to the management of risks, oversees and manages exposure to risks, and monitors regulatory and internal capital adequacy vis-a-vis the exposures to risks. The committee sets risk appetite indicators and is also responsible for approving the capital policy and plan, and the various risk models and methodologies. The committee is chaired by Rizalina G. Mantaring and its other members are Janet Guat Har Ang, Cezar P. Consing, Octavio Victor R. Espiritu, and Cesar V. Purisima.

Compliance with Corporate Governance Practices

The Bank believes that compliance with the principles of good corporate governance begins with the Board. It is the Board's duty and responsibility to foster the long-term success of the Bank and secure its sustained competitiveness in a manner consistent with its fiduciary responsibilities, which must be exercised in the best interests of the Bank, and in proper cases, its shareholders.

The Bank is led by a Board which is the highest authority in matters of governance and in overseeing the business of the Bank. The Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Bank, as well as the mechanism for monitoring and evaluating management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

The Board is currently composed of 15 directors, six of whom are Independent Directors. The roles of the Chairman and the President & CEO are separate and clearly defined while the Independent Directors are a strong source of independent advice and judgment. They bring considerable knowledge and experience to the Board's deliberations.

The Board meets regularly on a monthly basis to ensure a high standard of business practice for the Bank and its stakeholders and to ensure soundness, effectiveness, and adequacy of the Bank's internal control environment. As part of corporate measures to ensure compliance with the principles and policies embodied in the Bank's manual on corporate governance (the **Manual on Corporate Governance**), the Board of Directors designated Ms. Paz. A. Garcia as the Bank's compliance officer. Ms. Garcia is responsible for, among other matters, determining and measuring compliance with the Manual, appearing before the SEC upon summons on matters relating to the Manual on Corporate Governance, identifying, monitoring, and controlling compliance with corporate governance matters and recommending to the Board the review of the Manual on Corporate Governance. Ms. Garcia works closely with the Board through the Audit Committee and the Bank's management to evaluate and monitor compliance with the Manual. Specifically, Ms. Garcia is responsible for ensuring that the Bank's compliance systems are up to date and in line with regulatory requirements and recommends the adoption of measures to improve such compliance. Likewise, the various Board committees perform oversight duties and functions to ensure proper compliance with the Manual on Corporate Governance and other corporate policies. The Bank also submits governance reports required by the SEC and the PSE to determine compliance with their rules and regulations and the Manual on Corporate Governance.

There has been no material deviation from the company's Manual on Corporate Governance. Areas for improvement noted during the accomplishment of the ASEAN CG Scorecard to match best practices will be addressed with positive action. The Bank's Manual on Corporate Governance is also being reviewed annually or as the need arises for possible revision, to conform with best market practices on corporate governance or comply with new rules and regulations issued by any regulatory body.

RELATED PARTY TRANSACTIONS

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

For further information on the Bank's related party transactions, including detailed breakdowns of amounts receivable from related parties and the income and expenses relating to related party transactions, see Note 25 to the Bank's audited financial statements as of and for the years ended 31 December 2021, 2022 and 2023.

DOSRI Loans and Deposits

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

	As of 31 December		
	2021	2022	2023
	(₱ millions, except percentages)		
Total outstanding DOSRI loans	15,230	19,571	18,701
Percentage of DOSRI loans to total loans	1.0%	1.1%	1.0%
Percentage of unsecured DOSRI loans to total DOSRI loans	3.1%	2.4%	2.3%

Certain Relationships and Related Transactions

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

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

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

	As of 31 December		
	2021	2022	2023
Total outstanding DOSRI accounts (in ₱ millions) .	15,230	19,571	18,701
Percent of DOSRI accounts to total loans …………	1.0%	1.1%	1.0%
Percent of DOSRI accounts to total capital	5.2%	6.2%	5.2%
Percent of unsecured DOSRI accounts to total DOSRI loans	3.1%	2.4%	2.3%
Percent of past due DOSRI accounts to total DOSRI loans	0.01%	0.02%	0.04%
Percent of nonperforming DOSRI accounts to total DOSRI loans	0.02%	0.03%	0.02%

The year-end balances as of 31 December 2021, 2022 and 2023 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	As of 31 December		
	2021	2022	2023
Loans and receivables	-	-	-
Deposit liabilities	-	-	-

The income and expenses for the years ended 31 December 2021, 2022 and 2023 in respect of subsidiaries included in the Bank's financial statements are as follows (amounts in millions):

	For the year ended 31 December		
	2021	**2022**	**2023**
Interest income	-	-	-
Interest expense	-	-	-

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

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

THE PHILIPPINE BANKING INDUSTRY

The information presented in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government, and has not been prepared or independently verified by the Issuer, the Lead Arranger, the Dealers or any of their affiliates or advisers. None of the Issuer, the Lead Arranger, the Dealers or any of their affiliates or advisors makes any representation as to the accuracy or completeness of this information.

OVERVIEW

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks, cooperative banks and Islamic banks.

According to statistics published on the official website of the BSP, as of 31 December 2023 the commercial sector consisted of 45 universal and commercial banks, of which 22 were universal banks and 23 were commercial banks. Of the 22 universal banks, 13 were private domestic banks, three were Government banks, and six were branches of foreign banks. Of the 23 commercial banks, three were private domestic banks, two were subsidiaries of foreign banks, and 18 were branches of foreign banks. As of 31 December 2023, the 45 universal and commercial banks had a total of 7,191 branches, including head offices.

Commercial banks have all the general powers incident to corporations and all powers that may be necessary to carry on the business of commercial banking, such as the power to accept drafts and to issue letters of credit, to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and extend credit on a secured or unsecured basis. Universal banks are banks that have the authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of businesses not related to banking and to own up to 100% of the equity in a thrift bank, a rural bank or a financial allied or non-allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with their capital, in loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium-and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for mid-market corporates and individuals. As of 31 December 2023, there were 42 thrift banks according to the BSP.

Rural banks are organised primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of 31 December 2023, there were 389 rural and cooperative banks, according to the BSP.

Specialised government banks are organised to serve a particular purpose. The existing specialised banks are the Development Bank of the Philippines (**DBP**), Land Bank of the Philippines (**LBP**) and Al-Amanah Islamic Investment Bank of the Philippines (**AAIIB**). DBP was organised primarily to provide banking services catering to the medium- and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for mid-market corporates. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate as universal banks. AAIIB was organised to promote and accelerate the socio-economic development of the Autonomous Region in Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and rulings. During the past fifteen years, the Philippine banking industry has been marked by two major trends—the liberalisation of the industry and mergers and consolidation.

Foreign bank entry was initially liberalised in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary or to establish branches with full banking authority. This led to the establishment of ten new foreign bank branches in 1995. The General Banking Law enacted in 2000 further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100% of the voting stock of one domestic bank. Under the General Banking Law, any foreign bank, which, prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof. RA 10641 and BSP Circular No. 858, Series of 2014 dated 21 November 2014, which amended the relevant provisions of the BSP Manual implementing RA 10641, further liberalised foreign bank entry by allowing foreign banks to own up to 100% of the voting stock of an existing bank, a branch, or a subsidiary. See "*Banking Regulation and Supervision—Regulations with Respect to Branches.*"

The liberalisation of foreign ownership regulations in banks has allowed the emergence of foreign and local banks with foreign ownership in the market. This has led to the granting of new licenses to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank and United Overseas Bank and the allowance of equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life and Sumitomo Mitsui Banking Corporation into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. As of 31 December 2023, there were 24 branches of foreign banks in the Philippines.

As of 31 December 2023, six digital banks have been granted a Certificate of Authority by the BSP to operate in the Philippines: Tonik Digital Bank Inc. (**TONDB**), Maya Bank Inc. (**MAYA**), Overseas Filipino Bank Inc. (**OFBank**), the digital bank subsidiary of state-owned Land Bank of the Philippines (**LANDBANK**), UNObank Inc. (UBI), UnionDigital Bank Inc. (**UDB**) and GoTyme Bank Corporation (**GTYME**). According to the BSP, as of 30 September 2023, the deposit size of these digital banks amounted to ₱65.18 billion.

The following table sets out a comparison of the leading Philippine banks as of the dates indicated in the footnotes to the table:

	Market Capitalisation(2)	Total Equity(2)	Total Assets(2)	Loans and Advances/ Receivables(2)	Total Deposits(2)
			(₱ in millions)		
Bank of the Philippines Islands(1)	545,905	359,370	2,888,372	1,882,007	2,295,106
BDO Unibank, Inc.(1)	687,521	518,554	4,477,661	2,886,028	3,567,550
Metropolitan Bank & Trust Company(1)	230,717	366,738	2,489,749	1,537,166	2,382,772

Notes:

(1) Data is provided on a consolidated basis.

(2) Source: Bank, Philippine Securities and Exchange Commission filings, based on reports for the period ended 31 December 2023.

The following table sets out a comparison of the returns on average equity of certain leading Philippine banks for the periods indicated.

	2021(2)	2022(2)	2023(2)
Bank of the Philippines Islands(1)	8.4%	13.1%	15.4%
BDO Unibank, Inc.(1)	10.4%	12.9%	15.0%
Metropolitan Bank & Trust Company(1)	6.9%	10.3%	12.5%

Notes:

(1) Data is provided on a consolidated basis.

(2) Source: Banks' publicly-disclosed investor presentations and SEC Form 17-A (Annual Report).

The following table sets out a comparison of the net interest margins of certain leading Philippine banks for the periods indicated.

	2021(2)	2022(2)	2023(2)
Bank of the Philippines Islands(1)	3.3%	3.6%	4.1%
BDO Unibank, Inc.(1)	4.0%	4.1%	4.6%
Metropolitan Bank & Trust Company(1)	3.4%	3.6%	3.9%

Notes:

(1) Data is provided on a consolidated basis.

(2) Source: Banks' publicly-disclosed investor presentations and SEC Form 17-A (Annual Report).

The following table sets out a comparison of the cost-to-income ratios (calculated as total operating expenses (excluding provisions for credit and impairment losses) over total operating income) of certain leading Philippine banks for the periods indicated.

	For the year ended 31 December		For the nine months ended 30 September	
	2021[(2)]	2022[(2)]	2022[(2)]	2023[(2)]
Bank of the Philippines Islands[(1)]	52.1%	48.9%	45.8%	48.2%
BDO Unibank, Inc.[(1)]	62.2%	59.4%	N/A	N/A
Metropolitan Bank & Trust Company[(1)]	59.0%	54.3%	59.0%	54.3%

Notes:

(1) Data is provided on a consolidated basis.

(2) Source: Banks' publicly-disclosed investor presentations and SEC Form 17-A (Annual Report) and SEC Form 17-Q (Quarterly Report).

Strong historical loan growth with potential for growth from increasing banking penetration

The Philippine Banking System (**PBS**) has seen significant growth in activity in recent years, which has coincided with the strong economic growth of the Philippines has shown resilience and sustained its solid footing amid the pandemic. According to the BSP, total assets and the gross total loan portfolio (**TLP**) of the PBS as of end-October 2023 grew by 9.1% to ₱24.0 trillion and 8.4% to ₱13.1 trillion year-on-year, respectively. BSP noted that the growth in the total assets was attributable mainly to deposit generation, with a 8.6% year-on-year expansion in the total deposit liabilities to ₱18.2 trillion as of end-October 2023. These deposits were mainly sourced from resident individuals and private corporations and were mostly in the local currency. However, the Philippines remains relatively under-banked with domestic credit to private sector as a percentage of gross domestic product (**GDP**) of 48.9% for the year ended 31 December 2022 according to the World Bank, compared to other Southeast Asian peers including Thailand, Singapore, Malaysia and Indonesia, which were 156.4%, 129.5%, 113.3% and 35.3%, respectively. In addition, household debt as a percentage of GDP in the Philippines was 10.1% as of 2022 according to CEIC Data compared to Southeast Asian peers including Thailand, Singapore, Malaysia and Indonesia, which were 87.0%, 56.0%, 81.0% and 9.4%, respectively. The table below sets outs information for the periods indicated.

The table below sets outs information for the periods indicated.

Country	Domestic Credit to Private Sector as % of GDP (2022)	Household Debt as % of GDP (2022)
Philippines	48.9%	10.1%
Thailand	156.4%	87.0%
Singapore	129.5%	56.0%
Malaysia	113.3%	81.0%
Indonesia	35.3%	9.4%

Source: World Bank for Domestic Credit to Private Sector as % of GDP, CEIC for Household Debt as % of GDP.

The loan to GDP and historical loan growth of these regions are summarised below:

Region	Loans Outstanding as of 30 September 2023 (*in ₱ millions*)	% mix	Growth (year-on-year)
Metro Manila	10,039,031	85.5%	6.3%
Luzon (ex- Metro Manila)	752,751	6.4%	11.5%
Visayas	515,969	4.4%	15.0%
Mindanao	427,596	3.6%	10.8%

Source: BSP

Restrictions on Branch Opening

Opening of branches by Philippine banks within or outside the Philippines requires BSP's prior approval, subject to certain conditions such as meeting the minimum capital requirements set by the BSP. Upon BSP's approval, these branches may be used by the banks as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. For more information, see "*Banking Regulation and Supervision—Regulation Relating to Capital Structure*" and "*Banking Regulation and Supervision—Regulations with Respect to Branches.*"

Competition

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalisation of the banking industry by the Government. Since 2014, a number of foreign banks, which may have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer lending products such as credit cards. The foreign banks have not only increased competition in the corporate market, but have, as a result, caused more domestic banks to focus on the commercial mid-market, placing pressure on margins in both markets.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system to create more globally competitive banking institutions. Mergers and consolidation result in greater competition, as a smaller group of "top tier" banks compete for business. The BSP offered various incentives available for merging or consolidating banks. On 11 October 2012, BSP Circular No. 771 was issued in order to grant incentives for investors who purchase a controlling stake in a bank. Accordingly, the coverage of relief incentives for mergers and consolidations now includes the purchase and acquisition of a majority of all of the outstanding shares of stock of a bank. Based on BSP data, since the new package of incentives took effect in September 1998, there have been an increasing number of mergers, acquisitions and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were insufficient to pose a challenge to the overall competition levels since market share remained relatively well dispersed among the remaining players.

In the pursuit of liberalisation and to sustain the mergers and consolidations, the BSP issued Circular No. 902, Series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The suspension of the grant of new banking licenses or the establishment of new banks under the Manual of Regulations for Banks is lifted under a two-phased approach. Under Phase 1, the grant of new universal and commercial banking licenses was allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks was fully lifted and locational restrictions were fully liberalised starting 1 January 2018.

The Philippine Competition Act was signed into law in 2015 and establishes competition related rules and procedures in the Philippines in relation to mergers and acquisitions. See "*Banking Regulation and Supervision—Philippine Competition Act*."

Certain Government Policies and Regulations in Relation to the Philippine Banking System

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes guidelines on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these and can introduce new regulations to control any particular line of business. Please see "*Banking Regulation and Supervision*" for a more detailed discussion.

BANKING REGULATION AND SUPERVISION

The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

Banking Regulation and Supervision

Introduction

Republic Act No. 8791, otherwise known as the General Banking Law of 2000 (the **General Banking Law**) provides that the operations and activities of banks are subject to the supervision of the BSP. Likewise, Republic Act No. 7653 (the **New Central Bank Act**), as amended, which created the BSP, provides that the BSP shall have supervision over the operations of banks and shall exercise such regulatory powers over the operations of finance companies and non-bank financial institutions performing quasi-banking functions. The BSP exercises its powers through the Monetary Board.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and quasi-banking institutions engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock is directly or indirectly owned, controlled or held with power to vote by a bank or quasi-bank. The New Central Bank Act generally defines an affiliate as a corporation whose voting stock, to the extent of 50% or less, is owned by a bank or quasi-bank or which is related or linked directly or indirectly to such institution or intermediary through common stockholders or such other factors as may be determined by the Monetary Board. In this regard, the BSP Manual of Regulations for Banks (**MORB**) defines an affiliate as an entity linked directly or indirectly to a bank by means of: (a) ownership, control (as defined under the relevant portion of the BSP MORB), or power to vote, of at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa; (b) interlocking directorship or officership, where the concerned director or officer owns, controls (as defined under the relevant portion of the BSP MORB), or has the power to vote of at least twenty percent (20%) of the outstanding voting stock of the entity; (c) common stockholders owning at least ten percent (10%) of the outstanding voting stock of the bank and at least twenty percent (20%) of the outstanding voting stock of the entity; (d) management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and (e) permanent proxy or voting trusts in favour of the bank constituting at least twenty percent (20%) of the outstanding voting stock of the entity, or vice-versa.

Under the General Banking Law, the BSP, in the exercise of its supervisory powers, may: (a) issue rules of conduct or standards of operation for uniform application; (b) conduct examination to determine compliance with laws and regulations; (c) oversee compliance with such rules and regulations; and (d) inquire into the solvency and liquidity of the covered entities. Furthermore, Section 7 of the General Banking Law provides that the BSP, in examining a bank, shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The refusal of any officer, owner, agent, manager, director or officer-in-charge of an institution subject to the supervision or examination of the BSP to make a report or permit an examination is criminally punishable under Section 34 of the New Central Bank Act.

Furthermore, Republic Act No. 9160 (**Anti-Money Laundering Act of 2001**), as amended, provides, among others, that banks must, in addition to the general laws such as the General Banking Law and the Anti-Money Laundering Act of 2001, likewise comply with letters, circulars and memoranda issued by the BSP, some of which are contained in the BSP MORB. Under the Anti-Money Laundering Act of 2001, as amended, the BSP may, in the course of a periodic or special examination, check compliance of banks with the requirements of Anti-Money Laundering Act of 2001, as amended, and its implementing rules and regulations.

The BSP MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The BSP MORB contains regulations that include those relating to the organisation, management and administration, deposit and borrowing operations, loans, investments and special financing program, and trust and other fiduciary functions of the relevant bank. Supplementing the BSP MORB are rules and regulations promulgated in various circulars, memoranda, letters and other directives issued by the Monetary Board.

All regulations pertaining to banks are then implemented by the Financial Supervision Sector (**FSS**) of the BSP. The FSS is responsible for ensuring the observance of applicable laws, rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under Republic Act No. 3779 or the Savings and Loan Association Act, and pawnshops under Presidential Decree No. 114 or the Pawnshop Regulation Act).

Regulation Relating to Capital Structure

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The Philippine Securities and Exchange Commission will not register the incorporation documents of any bank or any amendments thereto without a certificate of authority issued by the Monetary Board.

A bank can only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank cannot purchase or acquire its own capital stock or accept the same as security for a loan, except when authorised by the Monetary Board. All treasury shares of a bank must be sold within six months from the time of purchase or acquisition thereof.

In accordance with BSP Circular No. 854, universal banks are required to have capital accounts of at least ₱3 billion for a bank with only a head office, ₱6 billion for a universal bank with up to 10 branches (inclusive of head office), ₱15 billion for a universal bank with 11 to 100 branches (inclusive of head office), and ₱20 billion for a universal bank with more than 100 branches (inclusive of head office). On the other hand, commercial banks are required to have capital accounts of at least ₱2 billion for a commercial bank with only a head office, ₱4 billion for a commercial bank with up to 10 branches (inclusive of head office), ₱10 billion for a commercial bank with 11 to 100 branches (inclusive of head office), and ₱15 billion for a commercial bank with more than 100 branches (inclusive of head office). Thrift banks which maintain only a head office in the National Capital Region are required to have capital accounts of at least ₱500 million, ₱750 million for a thrift bank with up to 10 branches (inclusive of head office), ₱1 billion for a thrift bank with 11 to 50 branches (inclusive of head office) and ₱2 billion for a thrift bank with more than 50 branches (inclusive of head office). These minimum levels of capitalisation may be changed by the Monetary Board from time to time.

For purposes of these requirements, the BSP MORB states that the term capital shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, surplus and undivided profits, less:

1. treasury stock;
2. unbooked allowance for probable losses (including allowance for credit losses and impairment losses) and other capital adjustments as may be required by the BSP;
3. total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI granted by the bank;
4. total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates;
5. total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties that are not at an arm's length terms;
6. deferred tax assets that rely on future profitability of the bank to be realised net of any (i) allowance for impairment and (ii) associated deferred tax liability if the conditions cited in PAS 12 on income taxes are met, provided that, if the resulting net figure is a net deferred tax liability, such excess cannot be added to net worth;

7. reciprocal investment in equity of other banks or enterprises, whether foreign or domestic, the deduction shall be the lower of the investment of the bank or the reciprocal investment of the other bank or enterprises; and

8. in the case of rural banks and cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation program.

Under Republic Act No. 10641 or "An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721" (**RA 10641**), established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system though any one of the following modes of entry: (i) by acquiring, purchasing or owning up to one hundred percent (100%) of the voting stock of an existing bank; (ii) by investing in up to one hundred percent (100%) of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (iii) by establishing branches with full banking authority. The foreign bank applicant must be established, reputable and financially sound. Additionally, such foreign bank must be widely-owned and publicly-listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorised to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. On the other hand, locally incorporated subsidiaries of foreign banks authorised to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board is authorised to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on 21 November 2014, the BSP issued Circular No. 858, amending the relevant provisions of the BSP MORB with respect to the entry and operations of foreign banks, accordingly. On 15 February 2016, BSP issued Circular No. 902, Series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

Stockholdings of family groups or related interests in banks are also regulated. Under the General Banking Law, the stockholders of individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, are considered family groups or related interests and must be fully disclosed in all transactions by such an individual with the bank. Moreover, two or more corporations owned or controlled by the same family group or same group of persons are considered related interests, which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends if at the time of declaration:

1. its clearing account with the BSP is overdrawn;

2. it is deficient in the required liquidity floor requirement for government funds;

3. it is not compliant with the minimum capitalisation requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;

4. it is not compliant with the combined requirement for capital conservation buffer requirement and countercyclical capital buffer as defined in Appendix 63b, Part III of the BSP MORB;

5. it is not compliant with the higher loss absorbency (**HLA**) requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with the DSIB framework as provided under Sec. 128 of the BSP MORB, for universal and commercial banks and their subsidiary banks and quasi-banks that are identified as DSIBs; or

6. it has committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by the BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor of the SES.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

Regulations with Respect to Branches

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision of the law also allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854 Series of 2014 provides various minimum capitalisation requirements for branches of banks, depending on the number of branches (e.g., ranging from a minimum of ₱6 billion for up to 10 branches of universal banks (inclusive of the head office) to a maximum of ₱20 billion for more than 100 branches of universal banks (inclusive of the head office). For a discussion on the breakdown of minimum capital requirements for banks, please see "—*Regulation Relating to Capital Structure*."

Subject to compliance with the requirements provided in BSP Circular No. 624, issued on 13 October 2008, which provides for BSP's branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office. Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Pursuant to BSP Circular No. 759, issued on 30 May 2012, once approved, a branch should be opened within three years from the date of approval. Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Paranaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. However, this branching restriction was liberalised pursuant to BSP Circular No. 728, issued on 23 June 2011. Phase 1 of the liberalisation allowed private domestically incorporated universal and commercial banks and thrift banks with limited branch networks in the eight cities or "restricted areas" in Metro Manila until 30 September 2014 to apply for and establish branches in said restricted areas. In Phase 2, branching in the "restricted" areas was opened to all banks except rural banks and cooperative banks. However, branches of microfinance-oriented banks and microfinance-oriented branches of regular banks' branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 (**Republic Act No. 9178**) may be established anywhere upon the fulfilment of certain conditions. BSP Circular No. 759 further liberalised its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank.

Regulations with Respect to Management of Banks

The board of directors of a bank must have at least five and a maximum of 15 members. According to Republic Act No. 11232, or the Revised Corporation Code, the board of banks and quasi-banks must have independent directors comprising at least 20% of such board. In case of merged or consolidated banks, the number of directors shall not exceed 21.

Under the MORB, at least one-third (1/3) but not less than two members of the board of directors of universal and commercial banks shall be independent directors. Further, SEC Memorandum Circular No. 24, Series of 2019, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly-listed companies, such as the Bank, to have a board composed of a majority of non-executive directors and at least two independent directors, or such number as to constitute at least one-third (1/3) of the members of the board, whichever is higher. An independent director is a person who is not an officer or employee of a bank, its subsidiaries or affiliate or related interests during the past three years counted from the date of his election or appointment. The Revised Corporation Code likewise requires independent directors, apart from shareholdings and fees received from the bank, to be free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out their responsibilities as a director. Foreigners are allowed to have board seats to the extent of the foreign equity in the bank.

Material contracts of a corporation vested with public interest with one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must also be approved by at least two-thirds (2/3) of the members of the board, with at least majority of the independent directors approving the same, in addition to common requirements for similar contracts for other companies pursuant to Section 31 of the Revised Corporation Code.

The Monetary Board shall issue regulations that provide for the qualifications and disqualifications to become a director or officer of a bank. After due notice to the board of directors of a bank, the Monetary Board may disqualify, suspend or remove any bank director or officer who commits or omits to perform an act which renders him unfit for the position.

The Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act and BSP Circular No. 1076, Series of 2020, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

Regulations with Respect to Bank Operations

A universal bank, such as the Bank, may open branches or offices within or outside the Philippine subject to the prior approval by the BSP. A bank and its branches and offices is treated as one unit. A bank, with prior approval of the BSP, may likewise use any of its branches as outlets for the presentation and/or sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank, its subsidiaries, financial or otherwise, and prescribe the composition and the manner of determining the net worth and total risk assets of such bank and its subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A universal bank has the authority to exercise and perform: (a) activities allowed for commercial banks; (b) powers of an investment house; (c) investment in non-allied enterprises.

Capital Adequacy Requirements

In July 2001, the Philippines adopted capital requirements based on the Basel Capital Accord.

BSP Circular No. 538, which took effect on 1 July 2007, serves as the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the Basel Committee on Banking Supervision (the **Basel Committee**) containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers and short and medium-term quantitative liquidity ratios. To align with international standards, the BSP issued BSP Circular No. 709 effective 1 January 2011, which adopted part of the Basel Committee's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 capital.

In January 2012, the BSP announced that the Philippine's universal and commercial banks, including their subsidiary banks and quasi-banks, were required to adopt in full the capital adequacy standards under Basel III which took effect from 1 January 2014. It aims to replace Basel II, further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like Common Equity Tier 1 and Tier 1 issues.

BSP Memorandum No. M2012-002 outlines BSP's proposed new minimum ratios and conservation buffers. The revised risk-based capital adequacy framework (which will also cover risk measurement enhancement and provisions concerning the use of third party credit assessment agencies) took effect on 1 January 2014. In March 2012, the BSP also circulated a discussion paper providing draft guidelines for Basel III implementation in the

Philippines starting 1 January 2014. Philippine banks were invited to comment on the discussion paper until June 2012, after which the BSP finalised the guidelines for Basel III in the Philippines. Notable provisions include: (i) new categorisation of the capital base with Tier 1 being composed of Common Equity Tier 1 (**CET1**) capital and Additional Tier 1 (**AT1**) capital and elimination of the subcategories of Tier 2 capital; (ii) revised eligibility criteria for the different categories of regulatory capital; (iii) regulatory adjustments to be deducted from CET1 in a full deduction approach; (iv) higher minimum capital requirements; (v) loss absorbency of regulatory capital at the point of non-viability; (vi) introduction of a framework to promote the conservation of capital and the build-up of adequate buffers above the minimum that can be drawn down in times of periods of stress; and (vii) additional disclosure requirements.

On 21 September 2012, BSP Circular No. 768 was issued, which provides, among others, that Hybrid Tier 1 and Lower Tier 2 capital must have loss absorption features providing that the instrument would be written off or converted into common equity upon the occurrence of a trigger event determined by the BSP.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and Tier 1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum Tier 1 capital ratio of 7.5%. The new guidelines also introduced a capital conservation buffer of 2.5% which is made up of CET1 capital. Under BSP Circular No. 1027 dated 28 December 2018, net due from head office, branches and subsidiaries outside the Philippines of foreign bank branches, excluding accumulated net earnings is required to be deducted from CET1 capital.

On 27 June 2014, the BSP issued Circular No. 839 requiring banks to undergo real estate stress test (**REST**) while setting prudential limits for banks' Real Estate Exposures (**REEs**) to ensure that they have adequate capital to absorb potential losses to the property sector. On 13 August 2020, the Monetary Board increased the total real estate loan limit from 20% to 25% of the total loan portfolio, net of interbank loans, of universal and commercial banks. A stress test will be undertaken on a universal and commercial bank's real estate exposure under an assumed write-off of 25%. Further, the amendments removed residential real estate loans to individual households for occupancy for socialised, low-cost, mid-end, and high-end housing segments from the coverage of real estate exposures.

On 29 October 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on DSIBs by the BSP under Basel III. Banks deemed DSIBs by the BSP are required to maintain capital surcharges to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the DSIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their DSIB statuses in 2015. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the DSIBs will have varying levels of additional loss absorbency requirements ranging from 1.5% to 2.5%. Aside from the added capital pressure, DSIBs may be put at an undue disadvantage compared to Global Systemically Important Banks (**GSIBs**) given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratios (calculated by dividing banks' Tier 1 capital over its total on-book and off-book exposure). Under the BSP Circular No. 881, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III by 1 January 2017. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to an increasing regulatory burden on banks. Additional requirements imposed under Basel III included the Liquidity Coverage Ratio (**LCR**) and the Net Stable Funding Ratio (**NSFR**). The LCR requires banks to hold a sufficient level of High-Quality Liquid Assets (**HQLAs**) to enable them to withstand a 30 day-liquidity stress scenario. Banks have been required to meet an LCR threshold of 100% beginning on 1 January 2019. The NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. As of 1 January 2020, the minimum 100% NSFR became effective for subsidiary banks and quasi-banks of universal and commercial banks. Compliance with these ratios may also further increase competition among banks for deposits as well as high quality liquid assets. While both ratios are intended to strengthen banks' ability to absorb shocks and minimise negative spill-overs to the real economy, compliance with these ratios may further increase competition among banks for deposits as well as HQLAs.

In addition, Basel III capital rules for banks include setting up a countercyclical capital buffer (**CCyB**) wherein banks build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. On 6 December 2018, the BSP issued guidelines on CCyB. BSP Circular No. 1024 imposes a capital conservation buffer (**CCB**) of 2.5% and a CCyB of 0% subject to upwards adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement, while decreases will be effective immediately. The circular further provides that the HLA requirement is required to be on top of the combined requirement for CCB and CCyB. Under the Bank for International Settlements (**BIS**), the CCB became fully effective on 1 January 2019.

BSP Circular No. 1051, issued on 27 September 2019, amended the framework for dealing with D-SIBs. For the lower bucket, a minimum HLA requirement of 1.5% of risk-weighted assets at all times was imposed. For the higher populated bucket, the HLA requirement ranges from above 1.5% to 2% of risk-weighted assets. An empty top bucket with HLA requirement of 2.5% of risk-weighted assets shall also be maintained. The differentiated HLA requirement for D-SIBs slotted under the higher-populated bucket is to be based on the ranking of a bank's overall systemic importance through the use of the indicator-based measurement approach. An equation is provided in BSP Circular No. 1051 for computing the additional loss absorbency requirement for D-SIBs slotted under the higher-populated bucket.

The HLA requirement shall also be on top of the combined requirement for CCB and CCyB, as determined under BSP Circular No. 1051. Restrictions on distributions are provided under BSP Circular No. 1051, depending on the CCyB rate of the bank. However, payments which do not result in the depletion of CET1 capital are not considered capital distributions. The total CET1 capital requirement for D-SIBs will be as follows:

A. CCyB rate is at 0%:

Bucket	**Minimum CET1 Requirement (a)**	**CCB (b)**	**CCyB (c)**	**D-SIB HLA Requirement (d)**	**Total Additional CET1 Requirement (b+c+d)**	**Total Required CET1 (a+b+c+d)**
3 (empty)	6.0%	2.5%	0%	2.5%	5.0%	11.0%
2*	6.0%	2.5%	0%	2.0%	4.5%	10.5%
1	6.0%	2.5%	0%	1.5%	4.0%	10.0%

*assuming an HLA requirement of 2.0%

B. CCyB rate is at 2.5%:

Bucket	**Minimum CET1 Requirement (a)**	**CCB (b)**	**CCyB (c)**	**D-SIB HLA Requirement (d)**	**Total Additional CET1 Requirement (b+c+d)**	**Total Required CET1 (a+b+c+d)**
3 (empty)	6.0%	2.5%	2.5%	2.5%	7.5%	13.5%
2*	6.0%	2.5%	2.5%	2.0%	7.0%	13.0%
1	6.0%	2.5%	2.5%	1.5%	6.5%	12.5%

*assuming an HLA requirement of 2.0%

BSP Circular No. 1051 likewise imposes capital distribution constraints should a D-SIB's capital fall within a specified range (subject to phased-in implementation and other provisions of the circular):

A. CCyB rate is at 0%:

Restrictions on Distributions	**Level of CET1 Capital**	
	Bucket 1	**Bucket 2***
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=9.25%	<=9.50%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	>9.25%. – 10.0%	>9.50%. – 10.5%

*assuming an HLA requirement of 2.0%

B. CCyB rate is at 2.5%:

Restrictions on Distributions	Level of CET1 Capital	
	Bucket 1	Bucket 2*
No distribution (until the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	<=11.75%	<=12.00%
50% of earnings may be distributed (if the minimum CET1, the combined requirement for CCB and CCyB, and more than 50% of the D-SIB HLA requirements are met; and conditions (a) and (c) below are complied with)	>11.75%. – 12.50%	>12.00%. – 13.00%

*assuming an HLA requirement of 2.0%

A D-SIB will not be subject to any restriction on distribution if the following conditions are met:

- Positive retained earnings as of the preceding quarter and compliance with the regulatory requirements for the declaration of dividends;

- Has CET1 capital of more than the total required before the distribution; and

- Compliance with total required CET1 and D-SIBS HLA requirement (under the circular) before distribution; and

- Compliance with minimum capital ratios after distribution.

D-SIBs are also subjected to greater supervisory requirements such as additional disclosures and reports in its ICAAP. These requirements may lead to such banks to hold even higher minimum levels of capital compared with the levels above.

Reserve Requirements

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve requirement during a particular week on an average basis, it must pay a penalty to the BSP on the amount of any deficiency.

The rates of required reserves against deposit and deposit substitute liabilities in local currency of universal and commercial banks, with effect from reserve week of 6 January 2024 are as follows: (a) 9.5% against demand deposits, negotiable order of withdrawal (**NOW**) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits (**CTDs**), long-term non-negotiable tax-exempt CTDs, deposit substitutes, Peso deposits lodged under due to foreign banks and Peso deposits lodged under due to head office/branches/agencies abroad of banks (Philippine branch of a foreign bank); (b) 0% against deposit substitutes evidenced by repurchase agreements; (c) 4% against long-term negotiable certificates of time deposits (**LTNCDs**); (d) 1% against green, social sustainable bonds as defined under the relevant regulations of the SEC or other relevant regional or international standards acceptable to the market (**Sustainable Bonds**) issued within one year from 6 January 2024; (e) 0% for Sustainable Bonds issued one year after 6 January 2024, effective for another 12 months, (f) 3% against bonds other than Sustainable Bonds; and (g) 0% against basic deposit accounts as defined under Section 213 of the BSP MORB and for interbank call loan transactions (**IBCL**).

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

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

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

Credit Quotas for Agricultural and Fisheries Financing

Republic Act No. 11901, or the Agricultural, Fisheries and Rural Development Financing Enhancement Act of 2022 (**Agri-Agra Law),** which lapsed into law on July 28, 2022 and repealed Republic Act No. 10000 or The Agri-Agra Reform Credit Act of 2009, mandated all banking institutions, whether private or government, to set aside at least 25% of their total loanable funds for agriculture and fisheries credit in general.

Banks may comply with this requirement by lending to rural community beneficiaries to finance agricultural and fishery-related activities. The law gives more flexibility to the banks in extending credit to the agriculture and agrarian reform sectors as the law removed the required allocation of credit between the agrarian reform beneficiaries (10%) and agricultural beneficiaries (15%) under the Agri-Agra Law. Banks may also comply through the following methods:

1. Actual extension of loans to rural community beneficiaries (gross of allowance for credit losses), for purposes of financing agricultural, fishery and rural development activities;

2. Purchase of eligible loans listed above on a "without recourse" basis from other banks and financial institutions;

3. Purchase of eligible securities (gross of allowance for credit losses but net of unamortised premium or discount), to wit:

   a. Invest in debt securities, provided that the proceeds therefrom will be used to finance agricultural, fishery and rural development activities;

   b. Investments in sustainable finance instruments;

   c. Invest in shares of stock of the rural finance institutions (**RFIs**), Philippine Crop Insurance Corporation or in companies that primarily engage in agricultural, fishery or rural development;

   d. Investments in unsecured subordinated debt securities that meet the definition of regulatory capital and are issued by banks that are RFIs;

   e. Investments in MSMEs of farmers, fisherfolk, agrarian reform beneficiaries, agrarian reform communities, settlers, agricultural lessees, amortizing owners, farmworkers, fishworkers, owner cultivators, compact farmers, and tenant farmers by way of purchase of their securities through an organised market, initial public offering, follow-on offering, or through registered crowdfunding intermediaries;

4. Grant of loans and other credits (gross of allowances for credit losses), to wit:

   a. Placements in deposit accounts and/or fixed term deposit products with RFls;

   b. Wholesale lending granted by banks to RFIs;

   c. Rediscounting facility granted by banks to other banks covering eligible AFRD financing;

   d. Actual extension of loans intended for the construction and upgrading of infrastructure;

   e. Actual extension of loans to agri-business enterprises that maintain agricultural commodity supply-chain arrangements directly with qualified rural community beneficiaries;

   f. Agricultural value chain financing (**AVCF**), including financing to electronic platforms that will facilitate AVCF and supply chain financing transactions among actors in agriculture that benefits rural communities;

   g. Actual extension of sustainable finance in the form of loans; or

h. Purchase of eligible loans listed under (4)(d) to (4)(g) on a "without recourse" basis from other banks and Fls.

Banks which fail to comply or only partially comply with the minimum requirements shall be penalised by the BSP with an annual monetary penalty of 0.5% of the amount of non-compliance or under-compliance computed on a quarterly basis. Additionally, the BSP may impose administrative sanctions. The provisions related to the mandatory credit quota of 25% shall cease to be effective ten years from the approval of Republic Act No. 11901 or in 2032.

The law also provides that banks which are unable to directly lend to rural community beneficiaries may invest in debt and equity securities, undertake agricultural value chain financing, and grant agri-business loans to fund agricultural and community-enhancing activities, among others.

Limitations on Operations

The Single Borrower's Limit

Consistent with the national interest, the total amount of loans, credit accommodations and guarantees that may be extended by a bank to any person, partnership, association, corporation or other entity shall at no time exceed twenty-five percent (25%) of the net worth of such bank. The basis for determining compliance with the single borrower's limit (**SBL**) is the total credit commitment of the bank to or on behalf of the borrower. The total amount of loans, credit accommodations and guarantees above may be increased for specific circumstances as laid out in the relevant provision of the BSP MORB.

BSP Circular 779 issued on 9 January 2013, amended the BSP MORB provisions on Regulations on Single Borrower's Limit. The amendments allowed for increases (on top of the 25% as already mentioned) on the amount of loans, credit accommodations and guarantees that a bank may issue to a borrower. The following are the increases that are conditional: (a) an additional 10% of the net worth of the bank as long as the additional liabilities are secured by shipping documents, trust or warehouse receipts or other similar documents which cover marketable, non-perishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under PDP/PIP; (ii) these additional liabilities should not exceed 25% of the net worth of the bank; and (iii) the additional 25% shall only be allowed for a period of six years from 28 December 2010; (c) an additional 15% of the net worth of the bank provided that the additional loans, credit accommodations and guarantees are used to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending bank which is also engaged in energy and power generation; (d) by an additional twenty-five percent (25%) of the net worth of such bank, provided that the additional loans, credit accommodations and guarantees are granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain; and (e) by an additional 15% of the net worth of the bank, provided that the additional loans, credit accommodations and guarantees are used to finance eligible green or sustainable projects that meet any of the principles or categories in (i) Tier ll of the 2022 Strategic Investment Priority Plan (Green Ecosystems, Health security related activities, and Food security related activities) approved in Memorandum Order No. 61 dated 24 May 2022, (ii) Republic of the Philippines Sustainable Finance Framework, (iii) Philippine Sustainable Finance Guiding Principles, (iv) ASEAN Taxonomy for Sustainable Finance, or (v) Implementing regulations of the Philippine Sustainable Finance Taxonomy Guidelines, among other requirements. The additional 15% under item (e) shall apply only to non-DOSRI/subsidiary/affiliate loans, credit accommodations and guarantees, and shall be allowed only for a period of two years from the date of effectivity of BSP Circular No. 1185 (i.e., 6 January 2024).

The SBL limitations shall not apply to (a) loans and other credit accommodations secured by obligations of the BSP or of the Government; (b) loans and other credit accommodations fully guaranteed by the Government as to the payment of principal and interest; (c) loans and other credit accommodations secured by U.S. Treasury Notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies; (d) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits maintained in the lending bank and held in the Philippines; (e) loans, credit accommodations and acceptances under letters of credit to the extent covered by margin deposits;(f) loans granted to foreign embassies; and (g) other loans or credit accommodations which the Monetary Board may from time to time specify as non-risk items.

In an effort to mitigate the adverse effects of the COVID-19 pandemic on the operations of BSFIs, the BSP issued BSP Memorandum No. M-2020-011 dated 19 March 2020 and Memorandum No. M-2020-057 dated 21 July 2020, which granted additional operational relief to BSFIs. The relief measures include an increase in this single borrower's limit from 25% to 30% until 31 March 2021, which was extended until 31 December 2022 by Memorandum No. M-2022-004.

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

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

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

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

On 5 January 2023, the BSP issued Circular No. 1164 which provides for the definition of credit risk transfer and which clarifies that loans and other credit accommodations or portion thereof covered by an effective credit risk transfer arrangement in the form of a guarantee or credit derivative that complies with the minimum operational requirements provided under the MORB shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the SBL. Meanwhile, the portion of the loans and other credit accommodations that is riot covered by an effective credit risk transfer arrangement, if any, shall still form part of the credit commitment of the bank to the borrower in reckoning compliance with the SBL.

Limitation on DOSRI Transactions

A director or officer of any bank may not directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor may become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the board of directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director will be subject to the penal provisions of the New Central Bank Act.

On 2 June 2016, the Monetary Board approved the revisions to prudential policies on loans, other credit accommodations and guarantees granted to DOSRIs. The Monetary Board allowed the exclusion of loans granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase, provided that the lending bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include a pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts and assignment of project documents.

On 23 June 2016, the BSP issued Circular No. 914, Series of 2016, amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. Circular No. 914 has raised the ceilings on the exposure of subsidiaries and affiliates of banks to priority programs, particularly infrastructure projects under the Philippine Development Plan / Public Investment Program (**PDP/PIP**) needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to certain conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

Limitations on Loans and Credit Accommodations

As a general rule, loan and other credit accommodation against real estate by a bank shall not exceed 70% of the appraised value of the real estate security plus 70% of the appraised value of the insured improvements and such loans shall not be made unless title to the real estate rests with the mortgagor. In the case of universal and commercial banks, the loan values of real estate given as security for any loan granted will be reduced from 70% to not more than 60% of the appraised value of the real estate security and the insured improvements, except the following which are allowed a maximum value of 70% of the appraised value (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Program", such as the expanded housing loans program of the home development mutual fund and the mortgage and guaranty and credit insurance program of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the title-holder of the unencumbered chattels and intangible properties or his assignee.

On 4 February 2008, the BSP issued Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans and amending the inclusions and exclusions to be observed in the computation.

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the real estate exposure of banks and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 27 October 2017, the BSP issued BSP Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under BSP Circular No. 914: (1) loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) interbank call loans; and (3) the portion of loans and other credit accommodations covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of the net worth of the said universal bank. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the BSP. The Monetary Board must approve such acquisition of equities. Further, the BSP may impose conditions on the any approval of a major investment and has the authority to seek corrective action.

A universal bank can own up to 100% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank's total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank's investment in another corporation engaged primarily in real estate is considered as part of the bank's total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five years or as may be prescribed by the Monetary Board. In addition, the Monetary Board recently approved BSP Circular No. 1042, series of 2019, containing the guidelines on sound risk management practices pertaining to investment activities of a bank.

Prohibition to Act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer.

Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

1. receive in custody funds, documents and valuable objects;

2. act as financial agent and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities;

3. upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and

4. rent out safety deposit boxes.

Anti-Money Laundering Act 2001 and Related Laws

The Anti-Money Laundering Act of 2001, as amended, (**AMLA**) requires covered institutions such as banks including its subsidiaries and affiliates, to provide for customer identification, keep records and report covered and suspicious transactions.

While the Philippines enacted the AMLA to introduce more stringent anti-money laundering regulations, these regulations did not initially comply with the standards set by the Financial Action Task Force (**FATF**). However, following pressure from the FATF, an amendment to AMLA became effective on 23 March 2003. In January 2005, the Philippines was removed from the list of Non-Cooperative Countries and Territories (**NCCTs**) and the anti-money laundering systems (including strict customer identification, suspicious transaction reporting, bank examinations, and legal capacities to investigate and prosecute money laundering) were all identified to be of a satisfactory nature. Currently, the Philippines is on the "grey list," as the FATF, in news reports, noted a "high level political commitment" from local authorities to address noted deficiencies in its anti-money laundering regime.

Republic Act No. 10168 enacted on 18 June 2012 expanded the AMLA to include the crime of financing terrorism. On 15 February 2013, Republic Act No. 10365 was approved. Among the amendments under Republic Act No. 10365 is the expansion of the coverage of the AMLA, which now talks about "covered persons, natural or juridical." Additions to the enumeration of covered persons include jewellery dealers for transactions in excess of ₱1.0 million; company service providers, or those who form companies for third parties, hold positions as directors or corporate secretaries for third parties, provide business addresses or engage in correspondence or act as nominee shareholder for others. Likewise, the following persons were added to the list: persons (a) who manage their client's money, security or other assets, or (b) who manage bank or securities accounts, or (c) who organise funds for the creation, operation or management of companies, or (d) who create, operate or manage entities or relationships, or (e) buy and sell business entities.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves or relates to the proceeds of any unlawful activity defined under the law:

1. transacts said monetary instrument or property;

2. converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;

3. conceals or disguises the true nature, source, location, disposition, movement or ownership or of rights with respect to said monetary instrument or property;

4. attempts or conspires to commit money laundering offences referred to in paragraphs (1), (2), and (3);

5. aids, abets, assists in or counsels the commission of the money laundering offences referred to in paragraphs (1), (2) and (3);

6. performs or fails to perform any act as a result of which he facilitates the offence of money laundering referred to in (1), (2) and (3); and

7. knowingly fails to disclose and file with Anti-Money Laundering Council (**AMLC**) any monetary instrument or property required to be disclosed and filed.

Under AMLA, banks, as covered persons, are required to report to the AMLC all covered transactions and suspicious transactions within a period of five working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days. The Court of Appeals of the Philippines (**Court of Appeals**), upon verified ex-parte application by the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, has the authority to issue a freeze order which is effective immediately, and which shall not exceed six months depending upon the circumstances of the case. However, if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order is deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets. Further, a freeze order or asset preservation order is limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime.

BSP Circular No. 495 issued on 20 September 2005, as amended by BSP Circular 527 issued on 28 April 2006, required all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at the minimum, be able to detect and raise to the bank's attention, transactions and/or accounts that qualify either as "covered transactions" or "suspicious transactions" as defined under AMLA.

BSP Memorandum No. M2012-017 issued on 4 April 2012, as affirmed by BSP Circular No. 950 issued on 15 March 2017 likewise requires all covered banking institutions to comply with the anti-money laundering risk rating system (**ARRS**), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound anti-money laundering policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of non-discrimination against certain types of customers.

In July 2017, Republic Act No. 10927 was signed into law, and it further expanded the coverage of AMLA to include casinos for a single casino cash transaction involving an amount in excess of ₱5.0 million or its equivalent in any other currency. Furthermore, the law provides that: (a) a freeze order issued by the Court of Appeals pursuant to an *ex parte* petition by the AMLC is effective immediately and such effective period shall not exceed six months and if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order is deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets; and (b) a freeze order or asset preservation order is limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime and will not apply to amounts in the same account in excess of the amount or value of the proceeds of the predicate offense.

AMLA has been further amended by Republic Act No. 11521, which took effect on 8 February 2021. Republic Act No. 11521 adds two new covered persons who are now required to report covered and suspicious transactions to the AMLC: (a) real estate developers and brokers and (b) offshore gaming operators, as well as their service providers, supervised, accredited or regulated by the Philippine Amusement and Gaming Corporation (**PAGCOR**) or any government agency.

Republic Act No. 11521 also adds two new unlawful activities to be punished, which are: (1) violation of Section 19(a)(3) of Republic Act No, 10697, which penalizes activities prohibited by, or in contravention of, any orders or regulations issued by the National Security Council-Strategic Trade Management Committee to implement the provisions of Republic Act No. 10697; and (ii) tax evasion under Section 254 of the National Internal Revenue Code, as amended, where the deficiency basic tax due in the final assessment is in excess of Twenty-five million pesos (₱25,000,000.00) per taxable year, for each tax type covered and there has been a finding of probable cause by the competent authority.

Institutions that are subject to AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum of five years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

In general, covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one Banking Day. A single cash transaction involving an amount exceeding ₱7.5 million for real estate developers and brokers is a covered transaction under Republic Act No. 11521, while Republic Act No. 10927 states that a single casino cash transaction involving an amount in excess of ₱5.0 million or its equivalent in any other currency is a covered transaction for casinos.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

1. there is no underlying legal or trade obligation, purpose or economic justification;

2. the customer or client is not properly identified;

3. the amount involved is not commensurate with the business or financial capacity of the client;

4. taking into account all known circumstances, it may be perceived that the transaction is structured to avoid being the subject of reporting requirements under the AMLA;

5. any circumstance relating to the transaction which is observed to deviate from the client's profile or past transaction;

6. the transaction is related to an unlawful activity or offence under AMLA; or

7. similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one year imprisonment and/or fine of not less than ₱100,000.00 and not more than ₱500,000.00.

Malicious reporting of a completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment and a fine of not less than ₱100,000.00 and not more than ₱500,000.00.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity the fact that a report was made to the AMLC and any information relating to such report. A violation of the said rule is deemed a criminal act.

On 18 July 2020, Republic Act No. 11479 or the Anti-Terrorism Act of 2020 (**Anti-Terrorism Act**) became effective. The Anti-Terrorism Act repealed Republic Act No. 9372 or the Human Security Act to provide stricter penalties and regulations against the inimical acts of terrorism. Section 35 of the Anti-Terrorism Act authorizes the AMLC, either upon its own initiative or at the request of the Anti-Terrorism Council, to investigate: (a) any property or funds that are in any way related to financing of terrorism or violation of Sections 4, 6, 7, 10, 11, or 12 of the Anti-Terrorism Act; and (b) property or funds of any person or persons in relation to whom there is probable cause to believe that such person or persons are committing or attempting or conspiring to commit, or participating in or facilitating the financing of the aforementioned sections. In this regard, the AMLC is authorised to inquire into or examine deposits and investments with any banking institution or non-bank financial institution and their subsidiaries and affiliates without a court order. It also provides penalties to any person who maliciously, or without authorization, examines deposits, placements, trust accounts, assets, or records in a bank or financial institution and any employee, official, or a member of the board of directors of a bank or financial institution, who after being duly served with the written order of authorization from the Court of Appeals, refuses to allow the examination of the deposits, placements, trust accounts, assets, and records of a terrorist or an outlawed group of persons, organization, or association.

On 4 July 2023, the Office of the President issued Memorandum Circular No. 33, adopting the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027. This provides seven strategic objectives that will respond to risks and deficiencies of the Philippines' AML/CFT systems. Each objective has action plan items that should be accomplished by the relevant government agencies. This is meant to address the findings of the Asia Pacific Group on Money Laundering and the FATF which, after a twelve-month observation period, placed the Philippines in the Grey List or "Jurisdictions Under Increased Monitoring" for its failure to show tangible and positive progress in addressing all key recommendations of the FATF. Through the reorganization of the National AML/CTF Coordinating Committee and the adoption of the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027, the Philippines government hopes to strengthen existing measures to improve the effectiveness of the Philippines' anti-money laundering, counter-terrorism financing and counter-prooliferation financing regime and allow the Philippines to exit the FATF Grey List.

Revised Corporation Code

Revised Corporation Code was signed into law on 20 February 2019 and became effective on 8 March 2019.

Aside from the discussions above relative to the management of banks, included among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine SEC that it elects to retain its specific corporate term under its current Articles of Incorporation.

- A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.

- Banks, quasi-banks, pawnshops, non-stock savings and loan associations (**NSSLA**), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least 20% independent directors in the Board, in accordance with the SRC. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Philippine SEC.

- The Code allows the creation of a "One Person Corporation." However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly listed companies, among others, from being incorporated as such. This restriction also applies with respect to incorporations as Close Corporation.

- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- The right of stockholders to vote in the election of directors or trustees, or in shareholders' meetings, may now be done through remote communication or in absentia if authorised by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

- As to amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such by-laws or amendments are in accordance with law, must be submitted.

- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Commission approves any merger or consolidation; or any voluntary dissolution.

- In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

Bayahinan I

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

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

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

Bayanihan II

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

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

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

Bayanihan II expired on 30 June 2021.

Philippine Competition Act

On 21 July 2015, the Philippine Competition Act (the **Philippine Competition Act**), was signed into law. It took effect on 8 August 2015. The Competition Act is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The Competition Act was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the Competition Act provides for the creation of a Philippine Competition Commission (the **PCC**), an independent quasi-judicial agency with five commissioners. Among its powers are to conduct investigations, issue subpoenas, conduct administrative proceedings and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court. The PCC prohibits anti-competitive agreements between or among competitors and mergers and acquisitions which have the object or effect of substantially preventing, restricting or lessening competition. It also prohibits practices which involve abuse of a dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions.

Under the Implementing Rules and Regulations of the Philippine Competition Act (**PCA IRR**) (as amended), as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity (**UPE**) of at least one of the acquiring or the acquired entities, including the entities that the UPE controls, exceeds ₱7.8 billion (**Size of Party**); and (b) the value of the transaction exceeds ₱3.2 billion (**Size of Transaction**), as determined in the Advisory. Parties to a joint venture transaction are required to provide notification if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱3.2 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱3.2 billion.

Under the Competition Act and the PCA IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods are considered void and will subject the parties to an administrative fine of 1% to 5% of the value of the transaction. Administrative fines of up to ₱250.0 million may also be imposed by the PCC on entities that: (a) enter into anti-competitive agreements between competitors that are either prohibited per se or that have the object of substantially preventing, restricting or lessening competition by setting, limiting or controlling production, markets, technical development or investment or by dividing or sharing the market or (b) fail to comply with the compulsory notification and/or enter into prohibited mergers and acquisitions. An entity that enters into anti-competitive agreements, may also be sentenced to imprisonment from two to seven years and a fine of not less than ₱50.0 million to ₱250.0 million. The penalty of imprisonment is imposed on the directors and/or management personnel who are knowingly and willfully responsible for the violation. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC issued the 2017 Rules of Procedure which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules also include non-adversarial remedies such as the issuance of binding rulings, show cause orders and consent orders.

On 10 September 2019, the Supreme Court of the Philippines approved the Rules on Administrative Search and Inspection under the Philippine Competition Act. The rules govern the application, issuance, and enforcement of inspection orders for administrative investigations of alleged violations of the Philippine Competition Act. Inspection orders will allow the PCC and its deputised agents to enter, search and inspect business premises, offices, land and vehicles to examine, copy, photograph, record or print information in order to prevent their removal, concealment, tampering with or destruction.

Financial Institutions Strategic Transfer Act

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

(a) Documentary stamp tax on such transfer of NPAs and dation in payment under the Tax Code;

(b) Capital gains tax imposed on the transfer of lands and/or other assets treated as capital assets as defined under Section 39(A)(1) of the Tax Code;

(c) Creditable withholding income taxes imposed on the transfer of land and/or buildings treated as ordinary assets pursuant to Revenue Regulations No. 2-98, as amended; and

(d) Value-added tax on the transfer of NPAs, or gross receipts tax the Tax Code, whichever is applicable.

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

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

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

The BSP issued Circular No. 1117 Series of 2021 implementing the FIST Act. It provides for the guidelines governing the sale/transfer and investment transactions of banks, and other institutions licensed by the BSP to perform quasi-banking functions and credit-granting activities pursuant to the FIST Act. The Circular sets out the provisions that the BSFIs must comply with in the sale/transfer transactions of non-performing assets for purposes of availing the tax exemptions and incentives/privileges under the FIST Act.

Data Privacy Act

Republic Act No. 10173, otherwise known as the Data Privacy Act of 2012 (Data Privacy Act), was signed into law on 15 August 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System (ICT), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law provides that it does not apply to information necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes.

It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognises the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of "personal information", which is defined as "any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual." The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on "personal information controllers" and "personal information processors". It also provides for penal and monetary sanctions for violations of its provisions.

On 24 August 2016, the National Privacy Commission issued the Implementing Rules and Regulations of the Data Privacy Act.

Electronic Banking Operations

The BSP has prescribed prudential guidelines in the conduct of electronic banking, which refers to systems that enable bank customers to avail themselves of a bank's products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

On 1 September 2006, the BSP released new guidelines on the protection of electronic banking customers. These guidelines set specific requirements in the following areas: (a) oversight by a bank's board of directors, and other concerned officers over its electronic banking activities; (b) the development of a risk management policy and internal controls over its electronic banking activities; (c) the implementation of a consumer awareness program for the customers of banks; (d) development of policy on disclosures and transparencies, and the availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorised transactions in electronic banking.

Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all government-owned and controlled corporations. The funds accepted are treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities.

BSP Circular No. 808, dated 22 August 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure Europay, MasterCard and Visa (**EMV**) chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines which shall govern the implementation for debit cards in any card-accepting devices/terminals. The deadline set for compliance with the migration to the EMV was initially set for 1 January 2017. However, pursuant to BSP Memorandum No. M-2017-019 issued on 9 June 2017, BSP-supervised financial institutions are required to fully comply with the EMV requirement by 30 June 2018. Failure to do so is considered a serious offence and will subject these institutions to monetary sanctions provided under relevant provision of the BSP MORB.

On 22 February 2019, the BSP issued Circular No. 1033, which amended the BSP MORB by adding regulations on Electronic Payment and Financial Services (**EPFS**). This allows BSP-supervised institution to offer products or services that would enable its customers to receive payments or initiate financial transactions and other related services through an electronic device such as computer, mobile phone, ATM and other devices. EPFS allow customers to electronically access information on their transactions, move or receive funds from one account to another, or avail of credit, investment, trust, or other banking products and/or services. Transactions can include online loan applications, electronic investment of funds, and the like. To be able to offer this kind of service, the bank must obtain a license from BSP and comply with its corresponding reportorial requirements.

On 26 November 2020, the Monetary Board approved the inclusion of digital banks as a distinct classification of banks. Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels without any physical branch or sub-branch or branch-lite unit offering financial products and services. On 2 December 2020, the BSP issued BSP Circular No. 1105 which provides the guidelines on establishment of digital banks. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on 22 March 2022, which provides the controls and processes supporting the operation, connectivity, and endpoint security of Application Programming Interface

(**API**) and the good practices for API management. On 7 February 2023, the BSP issued Circular No. 1166, series of 2023, or the *Amendments to the Regulations on Electronic Money (E-Money) and the Operations of Electronic Money Issuers (EMI) in the Philippines.* The amended guidelines provide amendments to the regulations on E-money and the operations of EMI in the Philippines. BSP Circular No. 1166, series of 2023 provides that banks may offer E-money services subject to prior approval of the BSP under EPFS license and compliance with the prudential criteria and requirements on licensing of EPFS. The guidelines define "E-money" as any electronically-stored monetary value that is:

1. maintained in a non-interest-bearing non-deposit transaction account;
2. denominated in or pegged to Philippine Peso or other foreign currencies;
3. pre-funded by customers to enable payment transactions;
4. accepted as a means of payment by the issuer and by other persons or entities including merchants/sellers;
5. issued against receipt of funds of an amount equal to the monetary value issued;
6. represented by a claim on its issuer; and
7. withdrawable in cash or cash equivalent or transferable to other accounts/instruments that are withdrawable in cash.

Under BSP Circular No. 1166, banks may offer E-money services subject to prior approval of the BSP under an EPFS license. The guidelines also establish minimum requirements for the issuance of e-money and rules on consumer protection. The guidelines provide for minimum disclosure requirements that BSFIs must include in the terms and conditions that customers must acknowledge prior to the availment of e-money services. Further, the guidelines require BSFIs to have sufficient liquidity requirements to meet E-money redemptions and provide minimum amounts for BSFIs with outstanding E-money balance of at least ₱100,000,000 and those with outstanding E-money balance below ₱100,000,000.

The BSP Circular also requires EMI banks to have minimum capitalization, which is the higher of the bank's required capitalization depending on its bank category or the bank's required capitalization based on EMI category. Large-scale EMI banks are required to have a minimum capital of ₱200,000,000, whereas small-scale EMI banks are required to have a minimum capital of ₱100,000,000.

Violations of the guidelines shall constitute grounds for imposition of sanctions on the BSFI and/or its directors/officers, with either a monetary penalty or a non-monetary penalty as may be authorised by the Monetary Board.

National Payment Systems Act

On 30 October 2018, Congress enacted Republic Act No. 11127, or "An Act Providing for the Regulation and Supervision of Payment Systems." R.A. No. 11127 seeks to regulate payment systems, recognizing that they are crucial parts of the financial infrastructure of the country. The law defines payment systems as the set of payment instruments, processes, procedures, and participants that ensures the circulation of money or movement of funds. Meanwhile, the same law defines operators as persons who provide clearing or settlement services in a payment system, or define, prescribe, design, control, or maintain the operational framework of the payment system.

Under R.A. No. 11127, all operators of payment systems (**OPS**) must register with the BSP. Furthermore, the SEC can no longer register the charter documents of any operator of a designated payment system (**DPS**), or any amendment thereto, or otherwise issue to an operator a license to do business in the Philippines, unless accompanied by a certificate of authority from the Monetary Board under its seal. The law also grants the BSP the power to designate a new payment system if it determines that an existing payment system is posing or has the potential to pose a systemic risk or the designation is necessary to protect the public interest.

On 9 September 2019, the BSP issued BSP Circular No. 1049 which implements the provisions of R.A. No. 11127. It requires banks, acting as payment systems operators, to register with the BSP through notification without having to separately file an application or pay registration fees. The BSP will then issue the registering bank a Provisional Certificate of Registration. Thereafter, the BSP will issue the bank a Certificate of Registration, if warranted, provided that the documents submitted by the bank meet all regulatory requirements. BSP Circular No. 1068, issued on 26 December 2019, extended the deadline for the registration of existing payment systems operations from 1 October 2019, as originally provided in Circular No. 1049, to 1 April 2020.

The BSP implemented the Payment System Oversight Framework (**PSOF**) on 7 July 2020 through the issuance of BSP Circular No. 1089, which addresses the need for comprehensive regulation over payment systems and other financial market infrastructures through cooperative oversight and periodic assessment. The PSOF follows a risk-based oversight approach mainly through the designation of payment systems. In the event that the operator of a DPS fails to satisfy regulatory expectations, resulting in a threat to the safety, efficiency, and reliability of the system, the PSOF empowers the BSP to appoint a manager to administer the operation of the DPS. On 14 September 2021, the BSP mandated the adoption of the Principles for Financial Market Infrastructures (**PFMI**) pursuant to the PSOF. The PFMI is a set of international standards designed to strengthen financial market infrastructures and make them more resilient to financial crises and participant defaults.

In line with the phased-in implementation of R.A. No. 11127, the BSP released BSP Circular No. 1127, otherwise known as the Governance Policy for Operators of Payment System on September 17, 2021, which is patterned after its other existing corporate governance standards. It prescribes the regulatory expectations on governance arrangements and standards of OPS as well as the criteria for qualification of its directors and officers.

The BSP issued BSP Circular No. 1138 on 1 March 2022 which establishes the regulatory reporting standards for OPS. The circular requires an OPS to establish a reporting system that will aggregate all pertinent data and produce the reports required by the BSP under both business-as-usual and stressed conditions (i.e., emergency conditions for OPS such as a crisis, national or public health emergencies, weather-related events, or sudden closures of markets and/or clearing agencies the transactions therein are processed through an OPS for eventual settlement) in a timely manner. The circular also specifies sanctions that may be imposed on an OPS for non-compliance with reporting requirements. It also prescribes non-monetary penalties such as the disqualification or suspension of the Chief Executive Officer for at least one (1) month to one (1) year in case of unsubmitted reports. The top official and members of the board may also be disqualified from the industry for further offenses and the Monetary Board will have the power to designate a manager to take over the operations.

Related Party Transactions

On 14 December 2015, the BSP announced that it approved guidelines strengthening oversight and control standards for managing related party transactions. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher standards should be applied to protect the interests of all stakeholders. It is emphasised that related party transactions are generally allowed for as long as these are done on an arm’s length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the guidelines, the board, as an oversight body, shall have overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The board is expected to approve an overarching policy on the handling of related party transactions that should cover the scope of its related party transactions policy, guidelines in ensuring arm’s length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular related party transactions. Further, banks that are part of conglomerates are required to create a related party transactions committee responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that related party transactions are processed in the regular course of business, and are priced fairly. The guidelines now explicitly require that the annual reports adequately disclose relevant information on the governance of related party transactions and specific details of exposures to related parties. In this regard, there shall be identification and prevention or management of potential or actual conflicts of interest which may arise. The members of the board of directors, stockholders, and management shall disclose to the board of directors whether they directly, indirectly or on behalf of third parties, have a financial interest in any transaction or matter affecting the banks. It shall also include materiality thresholds for related party transactions, which shall be set at a level where omission or misstatement of the transaction could pose significant risk to the banks and could influence the economic decisions of its board of directors. To ensure that related party transactions are within prudent levels, internal limits or sub-limits for individual and aggregate exposures to a related party and for aggregate exposures to all related parties that are consistent with the banks risk appetite, risk profile, and capital strength shall be included.

On 25 April 2019, the SEC issued Memorandum Circular No. 10-2019 regarding the Rules on Material Related Party Transactions for Publicly-Listed Companies (**SEC MC 10-2019**). Under SEC MC 10-2019, when the related party transactions amount to 10% or higher of a company's total assets, it is considered a material related party transaction and is disclosable and reportable to the SEC.

Taxation for Banks

Banks are subject to regular corporate income tax, based on their taxable income at a tax rate of 25%.

Taxable income refers to items of income specified under Section 32 (A) of Republic Act No. 8424, otherwise known as the Tax Reform Act of 1997, as amended (the **Tax Code**) less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

A minimum corporate income tax (**MCIT**) equivalent to 2% (or 1% from 1 July 2020 until 30 June 2023) of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax computed on taxable income. Any excess MCIT paid over the regular corporate income tax can be carried forward as tax credit for the three immediately succeeding years. For purposes of MCIT, the bank's gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax.

Since banks are in the regular business of lending, interest income derived by banks which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 25% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in Revenue Regulations 13-2000 and 05-2021, as further clarified in Revenue Memorandum Circular 19-2024. The amount of interest expense which banks may claim as tax deduction is reduced by an amount equal to 20% of the banks' interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

1. an individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank; or

2. a corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Similarly, Section 36 (B) of the Tax Code disallows the deduction of bad debts in the case of related party transactions as mentioned in the case of interest expense.

Pursuant to Revenue Regulations 05-99 (as amended by Revenue Regulations 25-2002), in order for banks to claim bad debts as tax deductions, they must secure a certification from the BSP that the accounts are worthless and can be written off, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible.

Income derived by a depositary bank from FCDU transactions with non-residents of the Philippines, OBUs, FCDUs of local banks and branches of foreign banks authorised by the BSP to transact business with foreign currency deposit system are tax-exempt, while interest income from foreign currency loans granted by FCDUs of depositary banks to residents other than OBUs or other depository banks under the expanded foreign currency deposit system is subject to 10% final tax. All other income of FCDUs is taxable at regular corporate income tax of 25%.

The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which will be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, except for bonds, debentures or other certificate of indebtedness with maturity of more than five years, which is tax exempt. The banks' passive income such as interest income earned from bank deposits is subject to final withholding tax.

Banks are subject to gross receipts tax (**GRT**), which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. In November 2005, the Government increased the GRT, which is applied to the Bank's non-interest income, from 5% to 7%. On 13 June 2016, the BIR issued Revenue Memorandum Circular 62-2016 (**RMC 62-2016**) seeking to clarify the tax treatment of the GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of 7%.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to 20 or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranche.

Interbank call loans with a maturity period of not more than five days and used to cover deficiency in reserves against deposit liabilities are not considered deposit substitutes. The interbank call loans are not subject to documentary stamp tax except if they have a maturity of more than seven days.

Real and other acquired properties (**ROPA**) of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax. Moreover, the transaction is subject to a 6% creditable withholding tax based on the highest among the zonal value, value in the tax declaration or selling price, which is withheld by the buyer and can be used as a credit against the bank's income tax in the year that the gain is realised.

On 19 December 2017, then President Duterte signed into law the Tax Reform for Acceleration and Inclusion (**TRAIN**) or Republic Act No. 10963 as part of the government's Comprehensive Tax Reform Program (**CTRP**). On 14 February 2019, the President Duterte signed into law the Tax Amnesty Act of 2019 or Republic Act No. 11213 (**Tax Amnesty Law**), which was intended to complement the provisions of the TRAIN Law. However, following the President's veto of the provisions granting general tax amnesty for all unpaid national internal revenue taxes for taxable year 2017 and prior years. On 5 August 2023, Republic Act No. 11956 further amended Republic Act No. 11213 (Tax Amnesty Law), as amended by Republic Act No. 11569, by extending the period of availment of the estate tax amnesty until 14 June 2025 and to cover the estate of decedents who died on or before 31 May 2022.

On 26 March 2021, then President Duterte signed the Corporate Recovery and Tax Incentives for Enterprises Act (**CREATE**) or Republic Act No. 11534 into law. The amendments under the CREATE include the reduction of the regular corporate income tax rate for both domestic and foreign corporations from 30% to 25%. The regular corporate income tax rate may be further reduced to 20% for domestic corporations with net taxable income not exceeding ₱5,000,000.00 and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100,000,000.00. The rate of the minimum corporate income tax (**MCIT**) was also lowered to 1%, effective 1 July 2020 to 30 June 2023.

On 5 January 2024, President Marcos signed into law the Ease of Paying Taxes Act (**EOPT**) or Republic Act No. 11976. The EOPT provides for substantial amendments to the Tax Code relating to the filing and payment of taxes, shifting the value-added tax base for sale of services and use or lease of properties, from gross receipts to gross sales, and creation of new classifications of taxpayers depending on gross sales, among others.

Currently pending in the Senate is the PIFITA, which is the fourth part of the CTRP (based on House Bill No. 4339 from the House of Representatives). The PIFITA, in its current form, proposes (i) the removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) a single final withholding tax rate of 20% on interest income regardless of currency, maturity, issuer and other differentiating factors, (iii) a single gross receipt tax of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) the gradual reduction of the stock transaction tax until it reaches 0.1%. To become law, the PIFITA would have to be approved by the Senate. It is currently subject to review and potential amendment within the legislature of the Philippines. If approved by the legislature, the PIFITA would be submitted to the President of the Philippines, who may veto the measure, approve it or allow it to lapse into law.

BSP Regulations on Issuances of Securities

Additional Requirements for the Issuance of Bonds and Commercial Papers

On 9 August 2018, the BSP issued additional requirements for the issuance by banks of bonds and commercial papers. Circular No. 1010 provides that a bank may issue bonds and/or commercial papers without prior BSP approval, provided that the following conditions are met:

(a) the bank must have a CAMELS composite rating of at least "3" and a "Management" rating of not lower than "3";

(b) the bank has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system;

(c) the bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the BSP; and

(d) the bonds issued are enrolled and/or traded in a market which is organised in accordance with the SEC rules and regulations.

Further, the issuing bank, including its subsidiaries, affiliates, and the wholly or majority-owned or -controlled entities of such subsidiaries and affiliates, except for its trust departments or related trust entities, is prohibited from holding or acting as a market maker of the bank's listed/traded bonds or commercial papers. Likewise, the registry bank, including the underwriter/arranger of the issuance, must be a third party with no subsidiary/affiliate relationship with the issuing bank and which is not related to the issuing bank in any manner that would undermine its independence.

Amendments to Existing Requirements for Issuances of Bank Securities

On 26 November 2019, the BSP issued Circular No. 1062 amending the provisions of the BSP MORB to relax certain requirements on the issuance of Long-Term Negotiable Certificates of Time Deposit, Bonds and Commercial Papers. Under the amendments, universal banks or commercial bank or investment house that is a related party of the issuing bank, may serve as the underwriter or arranger of the issuance, subject to the following conditions:

(a) that there are other third party underwriters or arrangers that are not related in any manner to the issuing bank;

(b) that the objective conduct of the due diligence review is not undermined; and

(c) that the appropriate safeguards and controls as provided under Section 136 of the BSP MORB on related party transactions shall be instituted to prevent conflict of interest on the said arrangement.

Further, the underwriter or arranger that is a related party of the issuing bank may be a holder of the bonds or commercial papers, provided that it is part of the underwriting agreement.

Moratorium on the Issuance of Long-Term Negotiable Certificates of Time Deposit (LTNCTDs)

BSP Circular No. 1059 dated 15 November 2019 amended the Manual imposing an indefinite moratorium on the issuance of LTNCTDs beginning 1 January 2021. LTNCTDs that have been approved but remain unissued as of 31 December 2020 may still be issued, provided that this is done within the period allowed by the BSP. Requests for authority to issue LTNCTDs will only be accepted by the appropriate supervising department of the BSP until 30 September 2020.

Other Laws and Regulations

Set out below are other regulations applicable to banks operating in the Philippines:

1. *The Philippine Deposit Insurance Act, as amended.* The Philippine Deposit Insurance Corporation (**PDIC**), the PDIC through Republic Act No. 3591, as amended, has the authority to insure the deposits of all banks which are entitled to the benefits of insurance and impose penalties against those who engage in unsafe and unsound banking practices. The PDIC is mandated to provide deposit insurance coverage for the depositing public to help promote public confidence and stability in the economy. Its most recent amendment took effect on 20 July 2022. The amendment attaches the PDIC to the BSP

for policy and program coordination, optimizing regulatory coordination efficiency. Further, the PDIC may now adjust the maximum deposit insurance coverage without need of legislation.

2. *The Financial Products and Services Consumer Protection Act.* Republic Act No. 11765 or the Financial Products and Services Consumer Protection Act (**FCPA**) was signed into law on 6 May 2022. The Act expands the powers of financial regulators such as the BSP and imposes duties on financial service providers such as banks. Violation of the Act will result in the imposition of enforcement actions from the BSP, penalties and/or administrative sanctions. On 28 November 2022, the Monetary Board issued Circular No. 1160, Series of 2022, which provides for the implementing guidelines of FCPA. According to the Circular, banks must meet the following standards in dealing with financial consumers:

a. Disclosure and Transparency;

b. Protection of Client Information:

c. Fair Treatment;

d. Effective Recourse; and

e. Protection of Consumer Assets against Fraud and Misuse

Pursuant to the FCPA, the BSP may, in addition to the enforcement actions under the BSP MORB, restriction the ability of banks to collect excessive or unreasonable interests, fees or charges, including other interests, fees and charges that are covered under Republic Act No. 10870, otherwise known as the "Philippine Credit Card Industry Regulation Law, and order requiring accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of the FCPA, its IRR and other existing laws, rules, and regulations under its jurisdiction, including reasonable interest.

3. *Guidelines for Virtual Asset Service Providers (VASP) in the Philippines.* On 26 January 2021, the BSP issued Circular No. 1108, relating to the Guidelines for Virtual Asset Service Providers (**VASP**) in the Philippines, which amends in its entirety Section 902-N of the Manual of Regulations for Non-Bank Financial Institutions (**MORNBFI**). In particular, Section 902-N on Virtual Currency Exchanges shall be replaced by VASP, as the BSP recognizes that once fiat currency is exchange or converted into a virtual asset, the same becomes easily transferrable, facilitating expedient movement or transfer of funds and payment services, among others. As such, VASPs were considered as money service businesses which were subject to the regulatory authority and examination powers of the BSP. Under said guidelines, the covered entities are required to secure a Certificate of Authority to operate as a Money Service Business and are required to observe the capitalization requirements of either ₱50.0 Million or ₱10.0 Million, for VASPs with or without safekeeping and/or administration services aa define in said Circular, respectively.

4. *Ceiling on Interest or Finance Charges for Credit Card Receivables.* On 19 January 2023, the BSP issued Circular No. 1165 which amends the ceiling on interest or finance charges for credit card receivables to an annual rate of 36% from the 24% cap imposed by BSP Circular No. 1098, which was issued to alleviate the burden on Filipino consumers due to the COVID-19 pandemic. The current circular provides that banks may now impose a maximum annual interest rate of 36% except for credit card installment loans which shall be subject to a monthly add-on rate not exceeding one percent (1%). For credit card cash advances, aside from the foregoing applicable maximum interest rate caps, no other charge or fee shall be imposed or collected apart from the processing fee in the maximum amount of ₱200 per transaction. Further, the rate of interest and other charges on any loan or forbearance of any money, goods or credits regardless of maturity and whether secured or unsecured shall not be subject to any regulatory ceiling, except for the interest or finance charges imposed on credit card receivables, including cash advances and instalment purchases and the maximum processing fee for credit card cash advances.

5. *Sustainable Finance Framework.* On 29 April 2020, the BSP issued Circular No. 1085 relating to the Sustainable Finance Framework that sets out the expectations of the BSP on the integration of sustainability principles, including those covering environmental and social (**E&S**) risk areas, in the corporate governance and risk management frameworks as well as in the strategic objectives and

operations of banks. Pursuant to said guidelines, the Framework shall apply to all banks, and branches of foreign banks may adopt the relevant policies and strategies of their Head Office, which are consistent with the applicable provisions in Circular. Banks were provided three years from the effectivity of the Circular to fully comply with the same. On 21 October 2021, the Monetary Board approved the guidelines that shall govern the integration of E&S risks in the enterprise-wide risk management frameworks of banks that shall amend the provisions of the Sustainable Finance Framework. Pursuant to BSP Circular No. 1128, banks shall consider E&S risks in defining credit risk strategy and shall integrate E&S risks in operational risk management framework.

6. *Regulations Governing the Derivatives Activities of Banks*. In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, the BSP issued several guidelines on the determination of the credit risk-weighted assets for banks that will engage in derivatives activities as end users for hedging purposes and/or under limited-use authority.

   Under Circular No. 891, banks must ensure that the financial products (e.g., debt and equity securities, hybrid securities, derivatives, securitisation structures and similar products with substantial investment characteristics) it recommends to a client are appropriate for that client through a client suitability process which involves obtaining client information, classifying a client according to financial sophistication and risk tolerance, and conducting a suitability review. Any informational or promotional presentation must be undertaken only by personnel who are knowledgeable on the products involved and are qualified based on qualification standards established by the bank. Any disclosures regarding its products and services must meet the bank's standards to ensure that its clients understand the nature of the financial transaction. The BSP may bring about timely corrective actions and impose sanctions on the bank and responsible persons, which may include warning, reprimand, suspension, removal, and disqualification of concerned directors, officers, and employees.

   In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and quasi-banks that cross-border derivative transactions involving non-centrally cleared derivatives are subject to margin requirements pursuant to the policy framework adopted by the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in times of distress.

   On 7 June 2021, the BSP issued Circular No. 1119 which added the following derivatives activities that may be engaged in by UBs and KBs in without need of prior BSP approval:

   a. originate, distribute, or act as market maker for the following financial derivatives as long as the bank complies with applicable market conventions and mechanisms for transparency and disclosure, and observes the provisions of the MORB and other pertinent securities laws, rules, and regulations:

      i. deliverable FX forwards, FX swaps, currency swaps, and analogous financial futures;

      ii. non-deliverable FX forwards and FX swaps; and

      iii. interest rate swaps, forward rate agreements, and analogous financial futures;

   b. as end-user, enter in any financial derivatives transactions for the purpose of hedging its own risks;

   c. as end-user, enter into financial derivatives transactions in order to take positions for its own account in the financial instruments mentioned in item (a);

   d. global peso notes booked under the regular banking units (**RBUs**); and

   e. transactions involving warrants issued under the Republic of the Philippine's "Paired Warrants Program."

RBUs and expanded foreign currency deposit units (**EFCDUs**) of UBs and KBs may now invest, for their own account, in different structured products (**SPs**) as long as, among others, the total carrying value of all investments in SPs shall not exceed 100% of the bank's qualifying Tier 1 capital. For activities not expressly listed above, a bank needs to apply for prior BSP approval of additional derivatives authority. A bank applying for additional derivatives authority/ies must have and maintain a risk management system commensurate to the additional authority/ies being applied for.

7. *Amendments to UITFs Regulations*. On 3 September 2004, the BSP issued Circular No. 447 (as amended by BSP Circular No. 675 dated 22 December 2009) which provided guidelines for the launching and offering of new products to be known as unit investment trust funds (**UITFs**), and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in Pesos or any acceptable currency that are to be operated and administered by trust entities and made available by participation. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organised exchange, loans traded in an organised market and such other tradable instruments as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In January 2008, the BSP issued Circular No. 593 to improve risk disclosure on investing in UITFs, to require banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in and to update client's profile at least every three years. In December 2009, the BSP issued Circular No. 676 allowing cross-currency investment for Peso trust, other fiduciary and investment management accounts, including Peso UITFs. In September 2012, the BSP issued Circular No. 767 to include investments by UITFs in units or shares in collective investment schemes as an allowable investment and recognising UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued Circular 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the key information and investment disclosure statement and online posting of UITF information via a website. On 10 March 2016, the BSP issued Circular 907 to amend certain exposure limits and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (i.e., target fund, exchange traded fund), subject to target fund not being structured nor similarly structured as a feeder fund or fund-of-funds.

   On 5 September 2022, the BSP issued Circular No. 1152 which further modified the guidelines for creation of UITFs. The BSP delineated between different kinds of UITFs (money market funds, fixed income funds, multi-asset funds, equity funds, and distributing funds). Trust Entities (**TEs**) are now allowed to create, administer, and manage UITFs with prior approval or notification to the BSP. Prior BSP approval is needed if the TE will create, for the first time, a fixed income fund, multi-asset fund, equity fund, fund-of-funds, feeder fund, multi-class fund, or distributing fund. If the TE will create a UITF that is the same category as any of its existing ones, then only prior notification to the BSP is needed. UITFs will need to be governed by a written trust agreement drawn by the trustee which shall be approved by the board of directors and submitted to the BSP for approval or notification, as the case may be. Further, any amendment to a UITF shall be the subject of a written notification to the BSP if the amendment involves any of the following aspects:

   a. investment objectives, policies, or strategies;

   b. risk profile;

   c. benchmark;

   d. target investors of a multi-class fund;

   e. target fund/s of a feeder fund or a fund-of-funds;

   f. income distribution policy of a distributing class/fund;

   g. basis of the NAVPu computation;

h. fees and other charges to the fund;

i. custodian;

j. investment manager, if separate from the trustee; and/or

k. merger of funds.

On 9 August 2023, the BSP issued Circular No. 1178 which provided for guidelines on the use of benchmarks for UITFs. These guidelines require the trustee to include a benchmark in the presentation of a UITF. Under the guidelines, a valid benchmark for a UITF has the following characteristics:

a. has a clearly defined objective;

b. appropriately reflects the market or sector it aims to represent;

c. is comprised of sufficiently diversified financial instruments that are liquid;

d. is objectively and consistently calculated;

e. is a total return benchmark; and

f. reflects returns that are net of taxes.

The trustee must ensure that its chosen benchmark reflects the investment mandate, objective, or strategy of the UITF and possesses the characteristics of a valid benchmark. It must also ensure that the underlying securities of the benchmark are identifiable and priced in accordance with BSP guidelines or international financial reporting standards on the valuation of assets. Trustees are required to prepare a Key Information and Investment Disclosure Statement (**KIIDS**) which shall contain the key features of the UITF, the fund performance against a benchmark, and the fund's prospective and outstanding investments. The KIIDS shall be updated and made available to participants at least every calendar quarter and made publicly available not later than forty-five (45) calendar days from the reference period.

In presenting the fund performance against a benchmark, the following minimum information shall be disclosed in the KIIDS:

a. the description and key characteristics of the benchmark, and its use relative to the fund's objective or investment strategy (e.g., whether the fund aims to track the performance of the benchmark or to outperform the same);

b. for a customised benchmark (i.e., a benchmark created by the trustee via the combination of multiple benchmarks), the description of each component benchmark and its corresponding weight as well as the rebalancing frequency, if any;

c. if the benchmark is managed or administered by a related party of the trustee, how the trustee and the benchmark manager/administrator manage existing and potential conflicts of interest;

d. if there are misalignments between the risk-return profile and/or characteristics of the UITF and those of the benchmark, the reason/s for and the extent of the misalignments; and

e. if there has been a change in the benchmark, the date the benchmark was changed, as well as the description of and reason for the change in the benchmark. These details and the illustrative presentation of performance against the old and new benchmarks shall be disclosed in the KIIDS for a minimum of one (1) year from the date of adoption of the new benchmark.

8. *Exemption of Paired ROP Warrants from Capital Charge for Market Risk*. In connection with the Government's Paired Warrants Program, the BSP issued Circular No. 605 in 5 March 2008 exempting

warrants paired with Government bonds from capital charges for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50% of total qualifying capital.

9. *Guidelines on Securities Borrowing and Lending Transactions*. Guidelines by the PSE on securities borrowing and lending govern securities borrowing and lending transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, Series of 2008 provides guidelines on securities borrowing and lending transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors and lenders. In May 2008, the Monetary Board authorised the issuance of BSP Registration documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad using the Peso sales proceeds of the borrowed shares including the related income from securities borrowing and lending transactions, i.e. rebates or shares in the income earned on the reinvestment of the cash collateral, interest and dividends earned on the Peso-denominated Government securities and PSE-listed shares used as collateral.

10. *Reclassification of Financial Assets between Categories*. The BSP issued Circular No. 628 dated 31 October 2008, amending Circular No. 626 dated 23 October 2008 and Resolution of the Monetary Board No. 1423 dated 30 October 2008, which approved the guidelines governing the reclassification of financial assets between categories. Financial institutions are allowed to reclassify all or a portion of their financial assets from "held for trading" or "available for sale" categories to the "available for sale" or "held to maturity" or "unquoted debt securities classified as loans" categories effective 1 July 2008 Any reclassification made in periods beginning on or after 15 November 2008 shall take effect from the date when the reclassification is made.

11. *Valuations of Government Securities Held by Banks*. In October 2013, the BSP amended the rules on valuations of government securities held by banks to reflect actual market rates, with the guideline applying to both benchmark and non-benchmark securities. Under BSP Circular No. 813, the weighted average of done or executed deals is used as the basis for valuation. In the absence of weighted average done deals for benchmark bonds, the simple average bids are used. In the absence of both weighted done deals and simple average bids for non-benchmark securities, interpolated yields derived from reference rates in accordance with BSP-approved guidelines is used.

12. *Segregation of Customer Funds and Securities Received by Banks*. On 14 August 2015, the BSP issued Circular No. 885 requiring the segregation of customer funds and securities received by banks in the performance of their securities brokering functions. Banks are required to institute adequate risk management systems and controls to ensure protection of customer funds and securities, proper segregation of functions, and prevention of conflict of interest situations that may arise in the conduct of securities brokering activities within the bank. Banks must also make and keep current books and records relating to customer funds and securities and submit monthly reportorial requirements.

13. *Creation of Personal Management Trust*. On 18 August 2016, the BSP issued Circular No. 920 allowing for the creation of the personal management trust (**PMT**), which is a living trust arrangement that seeks to meet the estate planning and asset management needs of individuals. The trustor may or may not nominate a third party beneficiary. It is supposed to serve as a more flexible tool in the management of an individual's financial affairs. Upon the effectivity of the circular, all living trust accounts (**LTAs**) were discontinued and all those that remained valid were automatically considered as PMT.

14. *Clearing of Checks via Electronic Presentment*. On 7 September 2016, the BSP issued Circular No. 924, amending the Manual in view of the clearing of checks via electronic presentment, which is implemented by the Philippine Clearing House Corporation (**PCHC**). On 20 January 2017, the BSP began the electronic clearing of checks. Under this new system, only digital images of the checks and their electronic payment information are required to be transmitted to the paying bank. The clearing time was reduced to just one banking day, as against three banking days previously, since no physical delivery of checks will be needed.

15. *Effective Reporting System Generation and Timely Submission of Reports*. On 26 June 2017, the BSP amended the Manual through Circular No. 963, series of 2017, which issuance instituted governance processes in accordance with the BSP's expectation that banks establish an effective reporting system generation and timely submission of reports. Said reports must be comply with those standards

prescribed by the BSP, and those banks that fail to do so (i.e., files an erroneous report, delayed report, or did not submit at all) are meted with certain sanctions that can be aggravated by habitual violations. It further provided that banks had until 31 December 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision. Its full implementation started on 1 January 2018.

16. *Guidelines on the Adoption of PFRS 9.* On 14 August 2018, the BSP issued Circular No. 1011 which provides guidelines on the adoption of PFRS 9. The Circular provides that where there are differences between the BSP regulation and PFRS 9, as when more than one option are allowed or certain limits are prescribed, then the option or limit prescribed by the BSP should be adopted. The circular further provides that with respect to the preparation of prudential reports, banks should adopt in all respect the PFRS, except in the following cases:

    1. In preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries is required to be consolidated with the financial statements of the parent bank on a line-by-line basis, while insurance and non-financial allied subsidiaries will be accounted for using the equity method. Investments in financial/non-financial allied/non-allied associates and joint ventures will be accounted for using the equity method in accordance with the provisions of PAS 28.

    2. In preparing solo/separate financial statements, investments in financial/nonfinancial allied/non-allied subsidiaries/associates, including insurance subsidiaries/associates, is required to be accounted for using the equity method as described in PAS 28.

    Banks shall recognise adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the BSP MORB.

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

17. *Marking to market of financial instruments.* BSP Circular No. 1021 dated 15 November 2018 provides that financial instruments that are required to be classified and measured at fair value, within the scope of PFRS 9 required to be marked-to-market in accordance with the provisions of PFRS 13 on Fair Value Measurement and the related rules and regulations issued by the Securities and Exchange Commission

18. *Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses.* On 21 October 2021, BSP issued Memorandum No. M-2021-056, providing guidelines on the regulatory treatment of restructured loans for purposes of measuring expected credit losses (**ECL**), effective until 31 December 2022. The classification of loans whose terms are modified due to the COVID-19 pandemic under Stage 1, 2, or 3, for purposes of determining ECL shall be based on the assessment of the extent of financial difficulty of the borrowers and their ability to fully pay the loan based on the revised terms. Loans that have been restructured to support borrowers that are experiencing financial difficulties due to the COVID-19 pandemic should not automatically be considered as credit-impaired that will warrant the classification of the accounts as non-performing.

19. *Basic Deposit Accounts.* BSP Circular No. 992, issued on 1 February 2018, requires banks to establish a basic deposit account which refers to interest or non-interest-bearing account designed to promote financial inclusion. The basic deposit account shall have an opening amount of not more than ₱100.00 and no minimum maintaining balance but with a maximum balance of not more than ₱50,000.00. If the depositor exceeds the ₱50,000.00 maximum balance, the bank shall convert the basic deposit account to a regular deposit account. The basic deposit account shall have no dormancy charges and has no reserve requirement.

20. *Reserves against trust and other fiduciary accounts (**TOFA**).* BSP Circular No. 1025 dated 13 December 2018 provides that in addition to the basic security deposit, banks authorised to engage in trust and other fiduciary business shall maintain reserves on TOFA -others, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and reorganisation; (5) employee benefit plans under trust; (6) escrow; (7) personal trust (testamentary trust); (8) executorship; (9) guardianship; (10) life insurance trust; (11) pre-need plans (institutional/individual); (12) Personal Equity And Retirement Account (**PERA**); (13) legislated and quasi-judicial trust; and (l4) specialised institutional accounts under trust.

21. *Guidelines on the Management of Interest Rate Risk in the Banking Book (**IRRBB**) and Market Risk Management*. BSP Circular No.1044 dated 6 August 2019 approved the adoption of guidelines for managing IRRBB and amendments to the guidelines on market risk management. Under the circular, all banks and quasi-banks must adequately identify their IRRBB exposures, take appropriate steps to measure, monitor and control the risk, and ensure that the IRRBB management system is integrated into the overall risk management framework and strategic business planning process. The circular also requires active board and senior management oversight. The BSP will evaluate the adequacy and effectiveness of the IRRBB management framework, taking into account the size, complexity and nature of a bank or quasi-bank's business.

    Circular 1067 dated 13 December 2019 approved the minimum disclosure requirements on IRRBB and required the following disclosures in the bank's annual reports:

    (a) A description of how the bank defines IRRBB for purposes of risk control and measurement;

    (b) A description of the bank's overall IRRBB management and mitigation strategies;

    (c) The periodicity of the calculation of the bank's IRRBB measures, and a description of the specific measures that the bank uses to gauge its sensitivity to IRRBB;

    (d) A description of the interest rate shock and stress scenarios that the bank uses to estimate changes in the economic value and/or in earnings;

    (e) A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment; and

    (f) A high-level description of key modelling and parametric assumptions used in IRRBB measurement.

22. *Guidelines on Voluntary Surrender of a Banking License.* BSP Circular No. 1050 dated 18 September 2019 amended the rules on voluntary liquidation in the Manual by formulating guidelines in the event that a bank decides to surrender its banking license either with a view to proceed to voluntary dissolution and liquidation or with the intention to convert into a non-bank entity. The circular lays down the criteria that the BSP must consider in deciding whether to approve the surrender of a bank's banking license. The circular also outlines the application procedure for the cessation of a bank's operations and the documents that the bank must submit to the BSP in support of its application. Once the bank has received notice of the BSP's approval of its voluntary surrender of its banking license, the bank shall immediately cease its operations.

23. *Amendments to the Framework for Dealing with Domestic Systematically Important Banks (**DSIBs**).* BSP Circular No. 1051 dated 27 September 2019 amended the BSP MORB's provision on DSIBs to change the number of indicators to characterize a D-SIB from ten (10) to nine (9). The circular also provides for a framework for dealing with D-SIBs, including the guidelines on data requirements and reports, schedule of restriction on distribution of dividends during the phased-in implementation period of the Higher Loss Absorbency requirement, and recovery plan.

24. *Amendments to the Regulations on Investment Management Activities.* The BSP issued Circular No. 1109 Series of 2021, which reduced the minimum size of an account under investment management. It further allows the commingling of funds subject to certain conditions and expanded the securities eligible under as investment outlet for commingled funds. Previously, the minimum size of an investment management account was ₱1.0 million. Under the Circular, BSP-Supervised Financial

Institutions (**BSFIs**) may determine the minimum amount that should be maintained by a client in an investment management account (**IMA**), which shall be at least ₱100,000.00. Moreover, prior to this Circular, commingling of IMAs was not allowed except for the purpose of investing in government securities or in duly registered commercial papers. Under the Circular, funds from IMAs may be commingled subject to the following conditions:

a. The investment of each of the IMAs in the commingled fund shall at least be ₱100,000.00;

b. The commingled funds shall only be invested in (i) securities directly issued by the Philippine National Government, (ii) exchange-traded equities and fixed income securities and commercial papers registered with the SEC, (iii) securities issued by banks incorporated in the Philippines, except those issued through the trust units, or (iv) securities issued by other sovereigns that are exempt from registration under Section 9(b) of the Securities Regulation Code;

c. The commingling of funds and the manner of termination of the same shall be specifically agreed in writing by the clients. The investment manager should ensure that the agreement to commingle funds with other IMAs is legally binding and enforceable. Furthermore, the risks associated with commingling of funds, such as market liquidity risk, shall be fully disclosed to the clients;

d. The investment manager shall determine that it possesses the operational capability to manage the accounts participating in commingled funds. In doing so, the investment manager shall undertake an assessment taking the following into consideration: (i) sufficiency of personnel handling commingled IMAs; (ii) capability of existing systems to accurately and readily identify the allocation of each investor in a commingled fund and generate the following information on a per IMA basis, at a minimum: accruals, coupons received, dividends received, market-tomarket gains or losses and required reports; and (iii) ability to conduct periodic reconciliation of relevant records; and

e. The maximum number of IMAs that can be commingled into one fund shall be determined by the investment manager based on its own operational capability to commingle IMAs.

25. *Amendments to the Rules on Cross-Border Transfer of Local and Foreign Currencies.* The BSP issued Circular No. 1146 Series of 2022 which allows a person to import or export, or bring into or take out of the Philippines, or electronically transfer legal tender Philippine notes and coins, checks, money order and other bills of exchange drawn in peso against banks operating in the Philippines in an amount not exceeding ₱50,000.00 without prior authorization by the BSP. In excess of such ₱50,000.00 limit, a prior written authorization from the BSP is required. In case of physical cross-border transfer of Philippine currency, there must be a declaration of the whole amount brought into or taken out of the Philippines. For foreign currency, a person who brings into or takes out of the Philippines foreign currency or other foreign-currency denominated bearer monetary instruments in excess of $10,000.00 or its equivalent must declare the whole amount brought into or taken out of the Philippines.

26. *Maharlika Investment Fund Act of 2023*. On 18 July 2023, Republic Act No. 11954 was enacted which provides that for the first and second fiscal years upon effectivity of the law, 100% of the BSP's total declared dividends will be remitted to the National Government for the capitalization of the Maharlika Investment Corporation (**MIC**), in the amount not exceeding ₱50,000,000,000.00 for the initial subscription of the National Government to the capitalization of the MIC. Thereafter, the dividends of the BSP shall be remitted to the National Government to fund the increase in the capitalization of the BSP.

27. *Guidelines on Disclosure to the Public.* On 21 December 2023, the BSP issued Circular No. 1186, Series of 2023 amending Section 175 of the MORB on public disclosures. Under this issuance, domestic banks have the option to publish their quarterly balance sheets and consolidated balance sheets in printed or online versions of newspapers of general circulation or upload them on their website and share for a period of at least one year. In addition, the banks may also display a tabletop standee with QR codes in a conspicuous place at their head offices, all their branches, and other offices, or through digital/electronic means. Each bank’s board of directors is given the duty to ensure that information shared with the public is supported by an effective internal control structure, has

undergone review and approval, and is compliant with the process and quality of reporting required under Section 171 of the MORB.

TAXATION

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

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws applicable in the Philippines and each country of which they are residents.

Philippine Taxation

The following is a general description of certain Philippine tax aspects of the Notes. It is based on the present provisions of the National Internal Revenue Code of 1997, as amended (the **Tax Code**), the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of this Offering Circular, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes. Each prospective Noteholder should consult with his own tax advisors as to the laws of other applicable jurisdictions and the specific tax consequences of acquiring, holding and disposing of the Notes.

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

On 1 January 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (**TRAIN Law**) took effect. The TRAIN Law, which contained an initial package of the tax reforms, amended various provisions of the Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax.

On 11 April 2021, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (**CREATE**) took effect. The CREATE Law is the second package of tax reforms, which includes the reduction of the regular corporate income tax rate for both domestic and foreign corporations from 30% to 25%. The regular corporate income tax rate may be further reduced to 20% for domestic corporations with taxable income not exceeding ₱5,000,000.00 and total assets (excluding land on which the corporation's office, plant, and equipment are situated) not exceeding ₱100,000,000.00. The rate of the minimum corporate income tax (**MCIT**) was also lowered to 1%, effective 1 July 2020 to 30 June 2023.

On 22 January 2024, Republic Act No. 11976, otherwise known as the Ease of Paying Taxes Act (**EOPT**) took effect. The EOPT amended various provisions of the Tax Code relating to the filing and payment of taxes and other provisions intended to protect the taxpayer's rights, modernize tax administration, and adopt best practices.

Currently pending in the Senate is the Package 4 of the Comprehensive Tax Reform Program (House Bill No. 4339 or more commonly known as Passive Income and Financial Intermediary Taxation Act or **PIFITA**), a proposed tax reform measure which aims to: (1) remove of the preferential tax treatment of the expanded foreign currency deposit system; (2) adopt a single gross receipts tax of 5% imposed on banks, quasi-banks, and certain financial intermediaries; (3) harmonize business taxes on financial intermediaries; and (4) rationalize documentary stamp tax rates. In relation to debt instruments, HB No. 4339 seeks to introduce a uniform final withholding tax rate on interest income on deposit substitutes and interest income on long-term deposits or investments of 20% (as opposed to a range between 20% to 25%), unless a treaty rate applies. However, before HB No. 4339 can become a law, it must be considered and approved by the Senate and signed into law by the President.

Documentary Stamp Taxes

A documentary stamp tax is imposed upon every original issue of debt instruments such as bonds and notes, at the rate of ₱1.50 on each ₱200, or fractional part thereof, of the issue price of such debt instruments; provided, that for such debt instruments with terms of less than one year, the documentary stamp tax to be collected is required to be proportionate to the ratio of the number of days of the term such instrument to 365 days. The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted or transferred when the obligation or right arises from Philippine sources, the property is situated in the Philippines, or where the object of the contract is located or used in the Philippines.

The issuance of the Notes will generally be subject to Philippine documentary stamp tax at the rate of ₱1.50 on each ₱200, or 0.75%, which shall be for the account of the Issuer.

The Court of Tax Appeals and the Commissioner of Internal Revenue have both opined that, with the enactment of Republic Act No. 9294 (An Act Restoring the Tax Exemption of Offshore Banking Units (**OBUs**) and Foreign Currency Deposit Units (**FCDUs**) Amending for the Purpose Section 27 (D) and Section 28 (A)(4) and (A)(7)(b) of the National Internal Revenue Code as Amended), the relevant provisions of Revenue Regulations No. 10-76, as amended, are deemed re-issued or re-enforced, such as the provision that foreign currency transactions of foreign currency deposit units with nonresidents, offshore banking units in the Philippines, local commercial banks including branches of foreign banks that may be authorised by the BSP to transact business with foreign currency deposit system and other depositary banks under the expanded foreign currency deposit system are exempt from all taxes, including documentary stamp taxes. Therefore, the issuance of the Notes to nonresidents, offshore banking units in the Philippines, local commercial banks including branches of foreign banks that may be authorised by the BSP to transact business with foreign currency deposit system is exempt from documentary stamp tax.

However, note that among the changes proposed by HB No. 4339 is the removal of the preferential tax treatment of the expanded foreign currency deposit system. In which case, the issuance of the Notes to nonresidents, offshore banking units in the Philippines, local commercial banks including branches of foreign banks that may be authorised by the BSP to transact business with foreign currency deposit system which is currently exempt from documentary stamp tax, may already be subject to documentary stamp tax once HB No. 4339 becomes a law.

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

Interest on the Notes

Any income of non-residents, whether individuals or corporations, and of depositary banks under the expanded foreign currency deposit system, from foreign currency transactions with depository banks under the expanded foreign currency deposit system is exempt from income tax. Accordingly, if the Notes are issued or booked by the Bank's foreign currency deposit unit, the principal, interest income and other amounts payable on the Notes received by non-resident aliens, whether or not engaged in trade or business within the Philippines, non-resident foreign corporations and depositary banks under the expanded foreign currency deposit system, is not subject to withholding tax in the Philippines.

On the other hand, the interest income on the Notes, which are considered as deposit substitutes if held by 20 or more individual or corporate lenders at any time, received by residents other than depository banks under the expanded foreign currency system, such as resident individual citizens of the Philippines, resident alien individuals, domestic corporations and resident foreign corporations, from a depository bank under the expanded foreign currency deposit system shall, however, be subject to a final income tax at the rate of 15% of such interest income.

Note, however, that as previously mentioned, among the changes proposed by HB No. 4339 is the removal of the preferential tax treatment of the expanded foreign currency deposit system.

Sale or other Disposition of the Notes

Any gain, profit or income from sale or disposition of personal property will generally be considered as Philippine-sourced income only if sold within the Philippines. If the Noteholder is a non-resident foreign corporation, and presumably the situs of any transfer involving the Notes will be facilitated in and take place outside the Philippines, any gain, profit or income from any sale or disposition of the Notes outside the Philippines will generally not be considered as Philippine-sourced income insofar as the Philippine-sourced taxpayers are concerned and thus the receipt by said taxpayers of any gain from sale of the Notes outside the Philippines will not be subject to Philippine tax.

On the other hand, since resident citizens and domestic corporation are subject to Philippine tax on their income whether these are Philippine-sourced income or not, their realisation of any gain, profit or income from sale or disposition of the Notes will generally be subject to Philippine tax. A holder of the Notes will recognise a gain or loss upon the sale or other disposition (including a redemption at maturity or otherwise) of the Notes in an amount equal to the difference between the amount realised from such disposition and such holder's basis in the Notes.

Under Section 32(B)(7)(g) of the Tax Code, gains realised from the sale, exchange or retirement of bonds, debentures, and other certificates of indebtedness with an original maturity date of more than five years as measured from the date of the issuance of such bonds, debentures or other certificates of indebtedness (**Long-Term Bonds**) are exempt from income tax. If the Notes will be construed by the Philippine tax authority as Long-Term Bonds, gains realised by resident citizens and domestic corporations from the sale or transfer of the Notes will be exempt from Philippine tax.

If the Notes are not Long Term Bonds, or will not be construed by the Philippine tax authority as Long-Term Bonds, any gain realised by resident citizens and domestic corporation from the sale or transfer of the Notes will form part of their taxable income subject to ordinary income tax rates under the Tax Code at graduated rates from 0%-35% for resident citizens and 25% for domestic corporations or 20% if the net taxable income does not exceed ₱5,000,000.00 and the corporation has total assets not exceeding ₱100,000,000.00, excluding land on which the particular business entity's office, plant, and equipment are situated (or 2% MCIT, as the case may be). Additionally, in the case where the seller of the Notes (i) is a resident citizen, (ii) is not a dealer in securities, and (iii) has held the Notes for a period of more than 12 months prior to the sale, only 50% of any capital gain will be recognised and included in said seller's gross taxable income for Philippine tax purposes.

Estate and Gift Taxes

The Notes will be considered as intangible personal property situated in the Philippines and will form part of the gross estate of any individual holder. As such, the transfer of the Notes upon the death of an individual holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at a fixed rate of 6% of the net estate.

Individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer the Notes by way of gift or donation are liable to pay Philippine donors' tax at the fixed rate of 6% based on the total gifts in excess of ₱250,000 exempt gifts made during the calendar year.

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

Taxation outside the Philippines

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

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 13 March 2024, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". The Issuer will pay each relevant Dealer a commission as may be agreed between them in respect of Notes subscribed by it. The Issuer has agreed, unless otherwise agreed in respect of an issue of Notes, to pay all expenses incidental to the performance of their respective obligations under the Dealer Agreement. The commissions in respect of an issue of Notes on a syndicated basis may be stated in the applicable Pricing Supplement. The Notes may also be sold by the Issuer through the Dealers, acting as the Issuer's agents. The Dealers may also offer and sell Notes through certain of their affiliates. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Where the Issuer agrees to sell to the Dealer(s), who agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, Notes at an issue price set forth in the applicable Pricing Supplement (less commissions, if any, in connection with such issue of Notes), the Notes may be reoffered and resold by the relevant Dealer(s) at a price different from their Issue Price, including (without limitation) at prevailing market prices, or at prices related thereto, at the time of such reoffer and resale, in each case as may be determined by the relevant Dealer(s).

In order to facilitate the offering of any Tranche of the Notes, the Dealer or Dealers (if any) named as Stabilising Managers for persons acting on behalf of any Stabilising Manager(s) in the applicable Pricing Supplement and participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect, which support the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. There is no assurance that the Stabilising Manager(s) or persons acting on behalf of a Stabilising Manager will undertake stabilisation action. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Under the laws and regulations of the United Kingdom any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of Notes and 60 days after the date of the allotment of the relevant tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

The Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage and other financial and non-financial activities and services. Each of the Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its subsidiaries, jointly controlled entities or associated companies from time to time for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Issuer or its subsidiaries, jointly controlled entities or associated companies, including any Tranche of Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Each Tranche of Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

In connection with each Tranche of Notes issued under the Programme, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

NOTICE TO CAPITAL MARKET INTERMEDIARIES AND PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE HONG KONG SFC CODE OF CONDUCT – IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as Ocs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering may include institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any Ocs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Dealer(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

a. The name of each underlying investor;

b. A unique identification number for each investor;

c. Whether an underlying investor has any "Associations" (as used in the SFC Code);

d. Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and

e. Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus orders should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any Ocs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealers with such evidence within the timeline requested.

The offer and sale of the Notes are subject to BSP regulations that prohibit certain persons that are in possession or have access to material non-public information affecting the pricing and marketability of the Notes or information which substantially impacts an investor's decision to buy or sell the Notes and as prescribed by BSP regulation from time to time, from acquiring and/or holding the Notes.

1. **United States**

1.1 In respect of Notes offered or sold in reliance on Category 1 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees that it has not offered or sold, and will not offer or sell, any Notes constituting part of its allotment in the United States except in accordance with Rule 903 of Regulation S under the Securities Act or pursuant to another exemption from the registration requirements of the Securities Act.

Each Dealer represents and agrees that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Note.

Terms used in this paragraph 1.1 have the meanings given to them by Regulation S.

1.2 In respect of Notes offered or sold in reliance on Category 2 as specified in the applicable Pricing Supplement, the Notes have not been and will not be registered under the Securities Act, or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Subject to paragraph 1.5 below, each Dealer represents and agrees that it has not offered, sold and delivered any Notes, and will not offer, sell and deliver any Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer who has purchased Notes of a Tranche hereunder (or in the case of a sale of a Tranche of Notes issued to or through more than one Dealer, each of such Dealers as to the Notes of such Tranche purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Notes of such Tranche. On the basis of such notification or notifications, the Principal Paying Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer also agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the relevant Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in this paragraph 1.2 have the meanings given to them by Regulation S.

1.3 Each Dealer represents and agrees that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any "directed selling efforts" (as defined in Rule 902(c) under the Securities Act) with respect to any Note, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

1.4 Prior to the issuance of any Bearer Notes under the Programme, the Issuer will confirm with its counsel that all Programme Documents have been reviewed, revised and updated to the extent necessary to ensure that such documents properly allow for the issuance of Bearer Notes in accordance with U.S. federal income tax law.

1.5 The applicable Pricing Supplement will specify whether U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (**TEFRA D**), as in effect prior to the repeal of Section 163(f)(2)(B) of the U.S. Internal Revenue Code of 1986, as amended (the **Code**), or any successor rules that are substantially in the same form, in each case, are applicable (or relevant under IRS Notice 2012-20) for purposes of Section 4701 of the Code. In respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement:

(i) except to the extent permitted under TEFRA D, each Dealer (i) has represented and agreed that it has not offered or sold, and has agreed that during a 40-day restricted period it will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person, and (ii) has represented that it has not delivered and agreed that it will not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(ii) each Dealer has represented and agreed that it has and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by TEFRA D;

(iii) if it is a United States person, each Dealer has represented and agreed that it is acquiring Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it will only do so in accordance with TEFRA D (including the requirements of U.S. Treas. Reg. Section l.163-5(c)(2)(i)(D)(6));

(iv) it will provide the Issuer with the documentation specified (at the time specified) in U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(3); and

(v) with respect to each affiliate of such Dealer that acquires Notes in bearer form from such Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer has repeated and confirmed the representations and agreements contained in subparagraphs (i), (ii), (iii) and (iv) on such affiliate's behalf.

Terms used in this paragraph 1.5 have the meanings given to them by the Code and Treasury regulations promulgated thereunder, including TEFRA D.

1.6 The applicable Pricing Supplement will specify whether U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C)(**TEFRA C**), as in effect prior to the repeal of Section 163(f)(2)(B) of the Code, or any successor rules that are substantially in the same form, in each case, are applicable (or relevant under IRS Notice 2012-20) for purposes of Section 4701 of the Code. In respect of Bearer Notes where TEFRA C is specified in the applicable Pricing Supplement, such Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, such Bearer Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer has represented and agreed in connection with the original issuance of such Bearer Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of such Bearer Notes. Further, the Issuer will comply with the documentary requirements described in U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C)(4).

Terms used in this paragraph 1.6 have the meanings given to them by the Code and Treasury regulations promulgated thereunder.

1.7 Each issue of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. The relevant Dealer agrees that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

2. **European Economic Area**

Unless the Pricing Supplement specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the pricing supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) No 2017/1129 (as amended, the **Prospectus Regulation**); and

(b) the expression **an offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each, a **Relevant State**), each Dealer represents and agrees that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant State:

(a) if the pricing supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression **an offer of Notes to the public** in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes and the expression **Prospectus Regulation** means Regulation (EU) No 2017/1129.

3. **United Kingdom**

Unless the Pricing Supplement specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the pricing supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "UK retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the **EUWA**), subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time);

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018 (SI 2018/1403) (as may be amended or superseded from time to time); or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA, subject to amendments made by the Prospectus (Amendment etc.) (EU Exit) Regulations 2019 (SI 2019/1234) (as may be amended or superseded from time to time); and

(b) the expression **an offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes.

If the Pricing Supplement specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", in relation to the United Kingdom, each Dealer represents and agrees that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the pricing supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the pricing supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a **Public Offer**), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by final terms contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the **UK Prospectus Regulation**);

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of UK Prospectus Regulation subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression **an offer of Notes to the public** in relation to any Notes in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Each Dealer represents and agrees, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

4. **The Netherlands**

Each Dealer represents and agrees that any Notes will only be offered in The Netherlands to Qualified Investors (as defined in the EU Prospectus Regulation), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op hetfmancieel toezicht*).

5. **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer represents and agrees that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

6. **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**), by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made under the SFO.

7. **Singapore**

7.1 Unless the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the

Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the **SFA**)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018.

Any reference to the "SFA" is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

7.2 If the Pricing Supplement in respect of any Notes specifies "Singapore Sales to Institutional Investors and Accredited Investors only" as "Not Applicable", each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Any reference to the "SFA" is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

8. **The Philippines**

THE NOTES BEING OFFERED OR SOLD HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SEC UNDER THE PHILIPPINE SECURITIES REGULATION CODE AND ITS IMPLEMENTING REGULATIONS (THE **SRC**). ANY FUTURE OFFER OR SALE OF THE NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE IS MADE UNDER CIRCUMSTANCES IN WHICH THE NOTES QUALIFY AS EXEMPT SECURITIES OR QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE SRC.

Any offer or sale of securities within the Philippines is subject to registration unless such offer or sale is made under circumstances in which the securities qualify as exempt securities or pursuant to an exempt transaction under the Philippine Securities Regulation Code and its implementing regulations. The Notes, being securities issued by a bank registered as such under the laws of the Republic of the Philippines, constitute exempt securities within the meaning of Subsection 9.1(e) of the Philippine Securities Regulation Code and as such are not required to be registered under the provisions thereof before they can be sold or offered for sale or distribution in the Philippines. Any sale or offer of the Notes in the Philippines, however, can only be made in accordance with the applicable regulations of the BSP and the Philippine SEC.

9. **Thailand**

Each Dealer has represented, warranted and agreed and each future Dealer appointed under the Programme will be required to represent and agree that it has not made, and will not make, any invitation to any person in Thailand to subscribe for the Notes. The Notes cannot be offered, sold or transferred in Thailand.

10. **PRC**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purpose, not including Hong Kong, the Macau Special Administrative Region or Taiwan), except as permitted by the securities laws of the PRC.

11. **General**

Each Dealer agrees, and each further Dealer appointed under the Programme will be required to agree, that it will comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and any applicable pricing supplement and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee and any of the other Dealers shall have any responsibility therefore.

None of the Issuer, the Trustee and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Dealers or any affiliate of any Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such dealer or such affiliate on behalf of the Issuer in such jurisdiction.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorisation

1. The update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer dated 13 December 2023. The Issuer has agreed to obtain from time to time all necessary consents, approvals and authorisations for the update of the Programme and the issue of Notes under the Programme.

Listing

2. Approval in-principle has been granted by the SGX-ST for permission to deal in, and quotation of, any Notes which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List.

   Admission to the Official List and any quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that any of the Global Notes representing such Notes is exchanged for definitive Notes. In addition, in the event that any of the Global Notes is exchanged for definitive Notes, for so long as such Notes are listed on the SGX-ST, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Bearer Notes, Receipts, Coupons and Talons

3. Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend on its face: "ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNATIONAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION MAY BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE."

Delisting of Notes

4. The Trust Deed provides that if the applicable Pricing Supplement indicates that the Notes are listed, the Bank will use its reasonable endeavours to maintain the listing on the relevant Stock Exchange of those Notes which are listed on the relevant Stock Exchange or, if it is unable to do so having used its reasonable endeavours or if the Trustee considers that the maintenance of such listings is unduly onerous and the Trustee is of the opinion that to do so would not be materially prejudicial to the interests of the Noteholders, use its reasonable endeavours promptly to obtain and maintain a quotation or listing of such Notes on such other stock exchange or exchanges or securities market or markets on which it is then accepted in the sphere of international issues of debt securities to list securities such as the Notes as it may (with the approval of the Trustee (which approval of the Trustee may only be given if the Trustee has received confirmation from the relevant Dealer(s) in respect of such Notes that such other stock exchange or exchanges or securities market or markets is so accepted)) decide and shall also upon obtaining a quotation or listing of such Notes issued by it on such other stock exchange or exchanges or securities market or markets enter into a trust deed supplemental to the Trust Deed to effect such consequential amendments to these presents as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market.

Clearing systems

5. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

No significant change

6. Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the financial or trading position or prospects of the Bank since 31 December 2023.

Litigation

7. The Bank is not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Bank is aware) which may have or have had in the 12 months preceding the date of this Offering Circular a significant effect on the financial position of the Bank.

Accounts

8. The auditors of the Issuer for the years ended 31 December 2021, 2022 and 2023 were Isla Lipana & Co., independent auditors.

   Such auditors have issued, in accordance with Philippine Standards on Auditing, an unqualified audit report for the financial years ended 31 December 2021, 2022 and 2023.

Available Documents

9. For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the office of the Trustee and electronically via e-mail written request to hkcorporate.trust.queries@hsbc.com.hk or the registered office of the Bank:

   a. the Trust Deed (which includes the form of the Global Notes, the Notes in definitive form, the Coupons, the Receipts and the Talons);

   b. the Agency Agreement;

   c. the Articles of Incorporation of the Bank (to the extent provided by the Bank to the Trustee);

   d. copies of the Bank's most recent audited financial statements;

   e. each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Bank and the relevant Paying Agent as to its holding of Notes and identity); and

   f. a copy of this Offering Circular together with any supplement to this Offering Circular.

INDEX TO THE FINANCIAL STATEMENTS

[3] The audited consolidated financial statements as at 31 December 2023 and 2022 and for each of the three years in the period ended 31 December 2023 with independent auditor's reports set out herein have been reproduced from the Bank's audited consolidated financial statements as at 31 December 2023 and 2022 and for each of the three years in the period ended 31 December 2023, and contain page references to pages set forth in such audited consolidated financial statements. The audited financial statements have not been specifically prepared for inclusion in this Offering Circular.

pwc

Independent Auditor's Report

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") and the parent financial statements of the Bank of the Philippine Islands (the "Parent Bank") present fairly, in all material respects, the financial position of the BPI Group and of the Parent Bank as at December 31, 2023 and 2022, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards ("PFRSs").

What we have audited

The financial statements comprise:

- the consolidated and parent statements of condition as at December 31, 2023 and 2022;
- the consolidated and parent statements of income for each of the three years in the period ended December 31, 2023;
- the consolidated and parent statements of total comprehensive income for each of the three years in the period ended December 31, 2023;
- the consolidated and parent statements of changes in capital funds for each of the three years in the period ended December 31, 2023;
- the consolidated and parent statements of cash flows for each of the three years in the period ended December 31, 2023; and
- the notes to the consolidated and parent financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing ("PSAs"). 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.

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
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Independence

We are independent of the BPI Group and the Parent Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the consolidated and parent financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and parent financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and parent financial statements as a whole, taking into account the structure of the BPI Group and the Parent Bank, the accounting processes and controls, and the industry in which the BPI Group and the Parent Bank operate.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit pertains to the impairment losses on loans and advances, which applies to both the BPI Group's and the Parent Bank's financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment losses on loans and advances	
We focused on this account because of the complexity involved in the estimation process, and the significant judgments that management makes in ascertaining the provision for loan impairment. The calculation of impairment losses is inherently judgmental for any bank. As at December 31, 2023, the total allowance for impairment for loans and advances amounted to PHP57,474 million for the BPI Group and PHP55,049 million for the Parent Bank while provision for loan losses recognized in profit or loss for the year then ended amounted to PHP3,940 million for the BPI Group and PHP2,164 million for the Parent Bank. Refer to Notes 10 and 26 of the financial statements for the details of the impairment losses on loans and advances. Provision for impairment losses on loans that are assessed to be individually credit impaired is determined in reference to the estimated future cash repayments and proceeds from the realization of collateral held by the BPI Group and the Parent Bank. For other loan accounts which are not individually credit impaired, these are included in a group of loans with similar risk characteristics and are collectively assessed on a portfolio basis using internal models developed by the BPI Group and the Parent Bank.	We assessed the design and tested the operating effectiveness of key controls over loan loss provisioning. These key controls included: • governance over the development, validation and approval of the BPI Group's ECL models to assess compliance with PFRS 9, including continuous re-assessment by the BPI Group that the impairment models are operating in a way which is appropriate for the credit risks in the BPI Group and the Parent Bank's loan portfolios; • review and approval of key judgments, assumptions and forward-looking information used in the ECL models; • review of data from source systems to the detailed ECL model analyses; • assessment of credit quality of loans and advances relative to the established internal credit risk rating system; • the review and approval process for the outputs of the impairment models; and • the review and approval process over the determination of credit risk rating, performance of credit reviews and calculation of required reserves for loans assessed as credit-impaired. Our work over the impairment of loans and advances included: • assessment of the methodology applied by the BPI Group and the Parent Bank in the development of the ECL models vis-a-vis the requirements of PFRS 9; • 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
(cont'd.) 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 includes the use of key assumptions in the impairment models (i.e., staging of accounts, significant increase in credit risk, forward-looking information), the exposure at default (EAD), the probability of default (PD) and the loss given default (LGD). The impairment losses include both quantitative and qualitative components. In calculating the loan loss provisioning, the BPI Group and the Parent Bank applied the expected credit loss (ECL) calculation and post-model adjustments as allowed by Philippine Financial Reporting Standard (PFRS) 9, *Financial instruments*, which is a complex process that takes into account forward-looking information reflecting the BPI Group and the Parent Bank's view on potential future economic events.	• assessment of the appropriateness of the BPI Group's and the Parent Bank's definition of significant increase in credit risk and staging of accounts through analysis of historical trends and past credit behavior of loan portfolios; • independent comparison of economic information used within, and weightings applied to, forward-looking scenarios in the ECL calculation which includes assumptions used in the post-model adjustments, against available macro-economic data; • testing of the accuracy and completeness of data inputs in the ECL models and in the ECL calculation by comparing them with the information obtained from source systems; • testing the accuracy and reasonableness of the outputs of the ECL models through independent recalculation; • for a sample of individually assessed loans identified as credit-impaired, examined relevant supporting documents such as the latest financial information of the borrower or valuation of collateral used as a basis in estimating the recoverable amount and measuring the loan loss allowance; and • recalculation of the loan loss allowance for selected accounts and portfolios at reporting date using the ECL methodology adopted by the BPI Group and the Parent Bank.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the consolidated and parent financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated and parent financial statements, our responsibility is to read the other information identified above when these become available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 PFRSs 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and parent financial statements.

As part of an audit in accordance with PSAs, 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BPI Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the BPI Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent financial statements of the current period and is therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 in Note 32 and Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010 in Note 33 to the financial statements is presented for the purposes of filing with the BSP and the BIR, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of the BPI Group and the Parent Bank. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is John-John Patrick V. Lim.

Isla Lipana & Co.

John-John Patrick V. Lim

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 12, 2024, Makati City
T.I.N. 112-071-386
BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 21, 2024

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2023 and 2022
(In Millions of Pesos)

	Notes	Consolidated		Parent	
		2023	2022	**2023**	2022
A S S E T S					
CASH AND OTHER CASH ITEMS	4	**34,843**	39,613	**34,444**	39,359
DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)	4	**199,619**	182,869	**192,246**	178,534
DUE FROM OTHER BANKS	4	**36,292**	45,190	**33,081**	43,096
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL, net	4,5	**20,643**	12,382	**17,342**	11,631
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,7	**23,654**	22,133	**17,456**	16,941
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	8	**218,654**	95,267	**214,183**	92,153
INVESTMENT SECURITIES AT AMORTIZED COST, net	9	**382,711**	420,533	**377,120**	415,035
LOANS AND ADVANCES, net	10	**1,882,007**	1,702,990	**1,849,840**	1,680,684
ASSETS HELD FOR SALE, net		**4,743**	3,760	**4,646**	3,650
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	11	**19,751**	19,355	**18,401**	18,721
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net	12	**8,287**	7,227	**15,526**	15,406
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**19,067**	19,060	**-**	-
DEFERRED INCOME TAX ASSETS, net	13	**18,185**	16,752	**17,536**	16,356
OTHER ASSETS, net	14	**19,916**	16,830	**20,001**	16,103
Total assets		**2,888,372**	2,603,961	**2,811,822**	2,547,669

(forward)

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BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2023 and 2022
(In Millions of Pesos)

	Notes	Consolidated		Parent	
		2023	2022	**2023**	2022
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	15	**2,295,106**	2,096,001	**2,264,133**	2,082,584
DUE TO BSP AND OTHER BANKS		**1,881**	2,887	**1,881**	2,811
DERIVATIVE FINANCIAL LIABILITIES	7	**2,821**	4,297	**2,774**	4,253
BILLS PAYABLE AND OTHER BORROWED FUNDS	16	**137,104**	97,503	**133,726**	93,002
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		**8,463**	6,755	**8,431**	6,751
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**14,973**	10,587	**13,543**	9,794
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**15,202**	14,919	**-**	-
DEFERRED CREDITS AND OTHER LIABILITIES	17	**53,452**	51,208	**51,031**	49,445
Total liabilities		**2,529,002**	2,284,157	**2,475,519**	2,248,640
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	18				
Share capital		**49,307**	49,193	**49,307**	49,193
Share premium		**113,414**	104,123	**113,383**	104,123
Treasury shares		**-**	(33,043)	**-**	(33,043)
Reserves		**643**	644	**32,975**	33,055
Accumulated other comprehensive loss		**(11,127)**	(14,256)	**(9,076)**	(11,843)
Surplus		**204,967**	211,061	**149,714**	157,544
		357,204	317,722	**336,303**	299,029
NON-CONTROLLING INTERESTS		**2,166**	2,082	**-**	-
Total capital funds		**359,370**	319,804	**336,303**	299,029
Total liabilities and capital funds		**2,888,372**	2,603,961	**2,811,822**	2,547,669

(The notes on pages 1 to 116 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, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	**2023**	2022	2021	**2023**	2022	2021
INTEREST INCOME							
On loans and advances		**120,900**	84,909	72,225	**114,050**	80,724	53,426
On investment securities		**21,737**	16,863	10,436	**21,466**	16,683	9,949
On deposits with BSP and other banks		**2,935**	1,496	1,956	**2,460**	1,385	1,271
		145,572	103,268	84,617	**137,976**	98,792	64,646
INTEREST EXPENSE							
On deposits	15	**36,027**	14,821	10,168	**34,934**	14,711	5,587
On bills payable and other borrowed funds	16	**5,195**	3,381	4,866	**4,956**	3,273	4,396
		41,222	18,202	15,034	**39,890**	17,984	9,983
NET INTEREST INCOME		**104,350**	85,066	69,583	**98,086**	80,808	54,663
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	26	**4,000**	9,167	13,135	**2,202**	8,437	10,591
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**100,350**	75,899	56,448	**95,884**	72,371	44,072
OTHER INCOME							
Fees and commissions	19	**12,717**	11,339	11,204	**11,166**	9,516	9,051
Income from foreign exchange trading		**3,223**	2,617	2,384	**3,205**	2,511	2,206
Securities trading gain		**1,919**	857	97	**1,827**	831	4
Income attributable to insurance operations	2	**1,843**	1,379	1,854	**-**	-	-
Net gains on disposals of investment securities at amortized cost	9	**2**	214	1,513	**2**	214	1,166
Other operating income	19	**14,267**	17,053	10,770	**12,741**	14,565	13,026
		33,971	33,459	27,822	**28,941**	27,637	25,453
OTHER EXPENSES							
Compensation and fringe benefits	21	**23,221**	19,528	18,528	**20,310**	17,407	14,094
Occupancy and equipment-related expenses	11,20	**22,012**	18,761	16,010	**20,139**	17,124	13,352
Other operating expenses	21	**23,877**	19,701	16,195	**22,142**	18,195	12,220
		69,110	57,990	50,733	**62,591**	52,726	39,666
PROFIT BEFORE INCOME TAX		**65,211**	51,368	33,537	**62,234**	47,282	29,859
INCOME TAX EXPENSE	22						
Current		**13,934**	12,438	8,328	**12,600**	11,226	6,701
Deferred	13	**(635)**	(906)	1,099	**(419)**	(943)	375
		13,299	11,532	9,427	**12,181**	10,283	7,076
NET INCOME AFTER TAX		**51,912**	39,836	24,110	**50,053**	36,999	22,783
Attributable to:							
Equity holders of BPI		**51,687**	39,605	23,880	**50,053**	36,999	22,783
Non-controlling interests		**225**	231	230	**-**	-	-
		51,912	39,836	24,110	**50,053**	36,999	22,783
Basic and diluted earnings per share attributable to the equity holders of BPI during the year	18	**10.90**	8.78	5.29	**10.56**	8.20	5.05

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF TOTAL COMPREHENSIVE INCOME
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Note	**2023**	2022	2021	**2023**	2022	2021
NET INCOME FOR THE YEAR		**51,912**	39,836	24,110	**50,053**	36,999	22,783
OTHER COMPREHENSIVE INCOME (LOSS)	18						
Items that may be subsequently reclassified to profit or loss							
Share in other comprehensive income (loss) of associates		**405**	(1,015)	(728)	**-**	-	-
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect		**556**	(1,525)	(548)	**546**	(1,480)	(506)
Fair value reserve on investments of insurance subsidiaries, net of tax effect		**90**	(225)	(209)	**-**	-	-
Currency translation differences and others		**(54)**	(65)	627	**-**	-	291
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit obligation		**(2,476)**	(8)	608	**(2,395)**	120	431
Share in other comprehensive income of associates		**49**	687	448	**-**	-	-
Net change in fair value reserve on investments in equity instruments measured at FVOCI, net of tax effect		**4,609**	(3,503)	(3,041)	**4,616**	(3,658)	(2,753)
Total other comprehensive income (loss), net of tax effect		**3,179**	(5,654)	(2,843)	**2,767**	(5,018)	(2,537)
Total comprehensive income for the year		**55,091**	34,182	21,267	**52,820**	31,981	20,246
Attributable to:							
Equity holders of BPI		**54,816**	34,019	21,109	**52,820**	31,981	20,246
Non-controlling interests		**275**	163	158	**-**	-	-
		55,091	34,182	21,267	**52,820**	31,981	20,246

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

	Attributable to equity holders of BPI (Note 18)								
Consolidated	Share capital	Share premium	Treasury shares	Reserves	Accumulated other comprehensive loss	Surplus	Total	Non-controlling interests	Total capital funds
Balance, January 1, 2021	45,045	74,764	-	416	(5,899)	165,509	279,835	2,122	281,957
Comprehensive income									
Net income for the year	-	-	-	-	-	23,880	23,880	230	24,110
Other comprehensive loss for the year	-	-	-	-	(2,771)	-	(2,771)	(72)	(2,843)
Total comprehensive income (loss) for the year	-	-	-	-	(2,771)	23,880	21,109	158	21,267
Transactions with owners									
Exercise of stock option plans	86	170	-	(41)	-	-	215	-	215
Cash dividends	-	-	-	-	-	(8,124)	(8,124)	(184)	(8,308)
Total transactions with owners	86	170	-	(41)	-	(8,124)	(7,909)	(184)	(8,093)
Other movements									
Transfer from surplus to reserves	-	-	-	189	-	(189)	-	-	-
Others	-	-	-	-	-	25	25	-	25
Total other movements	-	-	-	189	-	(164)	25	-	25
Balance, December 31, 2021	45,131	74,934	-	564	(8,670)	181,101	293,060	2,096	295,156
Comprehensive income									
Net income for the year	-	-	-	-	-	39,605	39,605	231	39,836
Other comprehensive loss for the year	-	-	-	-	(5,586)	-	(5,586)	(68)	(5,654)
Total comprehensive income (loss) for the year	-	-	-	-	(5,586)	39,605	34,019	163	34,182
Transactions with owners									
Issuance of shares as a consideration of the merger	4,062	28,981	(33,043)	-	-	-	-	-	-
Executive stock plan amortization	-	208	-	(8)	-	-	200	-	200
Cash dividends	-	-	-	-	-	(9,568)	(9,568)	(177)	(9,745)
Total transaction with owners	4,062	29,189	(33,043)	(8)	-	(9,568)	(9,368)	(177)	(9,545)
Other movements									
Transfer from surplus to reserves	-	-	-	73	-	(73)	-	-	-
Transfer from reserves to surplus	-	-	-	(2)	-	2	-	-	-
Others	-	-	-	17	-	(6)	11	-	11
Total other movements	-	-	-	88	-	(77)	11	-	11
Balance, December 31, 2022	49,193	104,123	(33,043)	644	(14,256)	211,061	317,722	2,082	319,804
Comprehensive income									
Net income for the year	-	-	-	-	-	51,687	51,687	225	51,912
Other comprehensive income for the year	-	-	-	-	3,129	-	3,129	50	3,179
Total comprehensive income for the year	-	-	-	-	3,129	51,687	54,816	275	55,091
Transactions with owners									
Executive stock plan exercise and amortization	114	342	-	(84)	-	-	372	-	372
Cash dividends	-	-	-	-	-	(15,934)	(15,934)	(191)	(16,125)
Dividends - treasury shares	-	8,949	33,043	-	-	(42,364)	(372)	-	(372)
Total transaction with owners	114	9,291	33,043	(84)	-	(58,298)	(15,934)	(191)	(16,125)
Other movements									
Transfer from surplus to reserves	-	-	-	13	-	(13)	-	-	-
Others	-	-	-	70	-	530	600	-	600
Total other movements	-	-	-	83	-	517	600	-	600
Balance, December 31, 2023	**49,307**	**113,414**	**-**	**643**	**(11,127)**	**204,967**	**357,204**	**2,166**	**359,370**

(The notes on pages 1 to 116 are an integral part of the financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

Parent (Note 18)	Share capital	Share premium	Treasury shares	Reserves	Accumulated other comprehensive loss	Surplus	Total capital funds
Balance, January 1, 2021	45,045	74,764	-	196	(4,288)	115,453	231,170
Comprehensive income							
Net income for the year	-	-	-	-	-	22,783	22,783
Other comprehensive loss for the year	-	-	-	-	(2,537)	-	(2,537)
Total comprehensive income (loss) for the year	-	-	-	-	(2,537)	22,783	20,246
Transactions with owners							
Exercise of stock option plans	86	170	-	(36)	-	-	220
Cash dividends	-	-	-	-	-	(8,124)	(8,124)
Total transactions with owners	86	170	-	(36)	-	(8,124)	(7,904)
Other movements	-	-	-	-	-	(12)	(12)
	86	170		(36)	-	(8,136)	(7,916)
Balance, December 31, 2021	45,131	74,934	-	160	(6,825)	130,100	243,500
Comprehensive income							
Net income for the year	-	-	-	-	-	36,999	36,999
Other comprehensive loss for the year	-	-		-	(5,018)	-	(5,018)
Total comprehensive income (loss) for the year	-	-	-	-	(5,018)	36,999	31,981
Transactions with owners							
Issuance of shares	4,062	28,981	(33,043)	-	-	-	-
Executive stock plan amortization	-	208	-	(10)	-	-	198
Cash dividends	-	-	-	-	-	(9,568)	(9,568)
Total transactions with owners	4,062	29,189	(33,043)	(10)	-	(9,568)	(9,370)
Other movements	-	-	-	32,905	-	13	32,918
	4,062	29,189	(33,043)	32,895	-	(9,555)	23,548
Balance, December 31, 2022	49,193	104,123	(33,043)	33,055	(11,843)	157,544	299,029
Comprehensive income							
Net income for the year	-	-	-	-	-	50,053	50,053
Other comprehensive income for the year	-	-	-	-	2,767	-	2,767
Total comprehensive income for the year	-	-	-	-	2,767	50,053	52,820
Transactions with owners							
Executive stock plan exercise and amortization	114	342	-	(80)	-	-	376
Cash dividends	-	-	-	-	-	(15,934)	(15,934)
Dividends - treasury shares	-	8,918	33,043	-	-	(42,364)	(403)
Total transactions with owners	114	9,260	33,043	(80)	-	(58,298)	(15,961)
Other movements	-	-	-	-	-	415	415
	114	9,260	33,043	(80)	-	(57,883)	(15,546)
Balance, December 31, 2023	**49,307**	**113,383**	**-**	**32,975**	**(9,076)**	**149,714**	**336,303**

(The notes on pages 1 to 116 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, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	2023	2022	2021	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before income tax		**65,211**	51,368	33,537	**62,234**	47,282	29,859
Adjustments for:							
Impairment losses	26	**4,000**	9,167	13,135	**2,202**	8,437	10,591
Depreciation and amortization	11,14	**6,615**	5,445	6,249	**6,195**	4,871	5,213
Share in net income of associates	12	**(1,372)**	(1,055)	(1,086)	**-**	-	-
Dividend and other income	19	**(100)**	(60)	(30)	**(3,066)**	(1,810)	(6,939)
Share-based compensation	18	**(84)**	(8)	(41)	**(80)**	(11)	(36)
Profit from asset sold		**(139)**	(5,392)	-	**(126)**	(5,392)	-
Realized gain - investment securities		**(949)**	(189)	-	**(949)**	(189)	-
Interest income		**(145,572)**	(103,268)	(84,617)	**(137,976)**	(98,792)	(64,646)
Interest received		**142,013**	98,874	85,450	**134,880**	92,487	64,866
Interest expense		**41,543**	18,503	15,345	**40,171**	18,265	10,229
Interest paid		**(38,683)**	(17,238)	(15,352)	**(37,801)**	(17,061)	(10,214)
Decrease (increase) in:							
Interbank loans receivable and securities purchased under agreements to resell		**4,117**	(2,612)	(2,167)	**4,058**	(2,699)	(2,117)
Financial assets at fair value through profit or loss		**(1,455)**	(801)	16,134	**(450)**	(1,267)	18,548
Loans and advances, net		**(181,412)**	(231,573)	(82,837)	**(170,155)**	(221,575)	(68,754)
Assets held for sale		**(761)**	(914)	(355)	**(773)**	(927)	(168)
Assets attributable to insurance operations		**254**	(2,316)	450	**-**	-	-
Other assets		**(5,753)**	540	(4,046)	**(6,564)**	4,870	(4,556)
Increase (decrease) in:							
Deposit liabilities		**199,096**	140,855	238,976	**181,540**	132,034	205,581
Due to BSP and other banks		**(1,151)**	1,680	(232)	**(1,075)**	1,744	(371)
Manager’s checks and demand drafts outstanding		**1,708**	(176)	(177)	**1,680**	(169)	(204)
Accrued taxes, interest and other expenses		**798**	1,382	(707)	**730**	1,133	(582)
Liabilities attributable to insurance operations		**306**	1,693	(1,290)	**-**	-	-
Derivative financial liabilities		**(1,476)**	665	(2,025)	**(1,479)**	708	(2,112)
Deferred credits and other liabilities		**213**	4,950	(337)	**353**	2,064	(1,735)
Net cash from (absorbed by) operations		**86,967**	(30,480)	213,977	**73,549**	(35,997)	182,453
Income taxes paid		**(14,004)**	(12,938)	(7,497)	**(12,712)**	(11,605)	(6,008)
Net cash from (used in) operating activities		**72,963**	(43,418)	206,480	**60,837**	(47,602)	176,445

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS
For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	2023	2022	2021	2023	2022	2021
(*forwarded*)							
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of bank premises, furniture, fixtures and equipment		**(4,778)**	(1,657)	(5,595)	**(4,578)**	(1,580)	(5,108)
Disposal of bank premises, furniture, fixtures and equipment		**2,144**	1,200	789	**2,127**	1,191	777
Placements in investment securities		**(248,565)**	(95,218)	(278,718)	**(247,299)**	(94,789)	(272,363)
Proceeds from:							
Maturities/sales of investment securities		**171,331**	49,008	176,833	**171,332**	49,008	158,047
Net gains on sale of investment properties		**-**	4,721	(12)	**-**	4,721	(14)
Decrease (increase) in:							
Investment in subsidiaries and associates, net		**769**	694	1,432	**(120)**	-	(4,516)
Assets attributable to insurance operations		**(270)**	474	804	**-**	-	-
Impact of merger	30.1	**-**	-	-	**-**	78,200	-
Dividends received		**100**	60	30	**3,066**	880	3,400
Net cash (used in) from investing activities		**(79,269)**	(40,718)	(104,437)	**(75,472)**	37,631	(119,777)
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash dividends paid	17,18	**(16,125)**	(9,745)	(8,124)	**(15,934)**	(9,568)	(8,124)
Issuance cost of treasury shares as dividends	18	**(372)**	-	-	**(403)**	-	-
Proceeds from share issuance	18	**456**	208	256	**456**	208	256
Increase (decrease) in bills payable and other borrowed funds	16	**39,601**	2,464	(56,908)	**40,724**	868	(57,798)
Payments for principal portion of lease liabilities		**(1,892)**	(1,624)	(1,900)	**(1,652)**	(1,417)	(1,478)
Net cash from (used in) financing activities		**21,668**	(8,697)	(66,676)	**23,191**	(9,909)	(67,144)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**15,362**	(92,833)	35,367	**8,556**	(19,880)	(10,476)
CASH AND CASH EQUIVALENTS							
January 1	4,5	273,120	365,953	330,586	265,449	285,329	295,805
December 31		**288,482**	273,120	365,953	**274,005**	265,449	285,329

Non-cash financing and investing activities 11,16,18

(The notes on pages 1 to 116 are an integral part of these financial statements.)

1 General information

Bank of the Philippine Islands ("BPI" or the "Parent Bank") is a domestic commercial bank with an expanded banking license and was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. The Parent Bank's license was extended for another 50 years on January 4, 1993.

The Parent Bank's office address, which also serves as its principal place of business, is located at Ayala Triangle Gardens Tower 2, Paseo De Roxas corner Makati Ave., Bel-Air, Makati City.

BPI and its subsidiaries (collectively referred to as the "BPI Group") offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, asset management, corporate finance, securities distribution and insurance services. At December 31, 2023, the BPI Group has 18,982 employees (2022 - 17,573 employees) and operates 1,187 branches (2022 - 1,189 branches) and 1,530 automated teller machines (ATMs) and cash accept machines (CAMs) (2022 - 2,080) 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 (SRC), which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities.

On September 30, 2022, the Board of Directors (BOD) of BPI approved the execution of an agreement between the Parent Bank and Robinsons Bank Corporation ("RBC") and Robinsons Retail Holdings, Inc. and JG Summit Capital Services Corporation, as RBC shareholders, for the merger of BPI and RBC, with BPI as the surviving entity. As at December 31, 2023, all corporate and regulatory approvals have been obtained, and the Parent Bank and RBC merged, effective January 1, 2024 (Note 30.3).

The merger between BPI and BPI Family Savings Bank, Inc. ("BFB"), a wholly-owned subsidiary, became effective on January 1, 2022 with the Parent Bank as the surviving entity (Note 30.1). The comparative figures presented in the financial statements and notes to financial statements pertaining to the Parent Bank for the year ended December 31, 2021 are exclusive of BFB balances.

Approval and authorization for issuance of financial statements

These financial statements have been approved and authorized for issuance by the BOD on February 21, 2024.

The consolidated financial statements comprise the financial statements of the Parent Bank and the following subsidiaries:

Subsidiaries	Country of incorporation	Principal activities	% of ownership 2023	% of ownership 2022
BPI Capital Corporation	Philippines	Investment house	100	100
BPI Direct BanKo, Inc., A Savings Bank (BanKo)	Philippines	Banking	100	100
BPI Asset Management and Trust Corporation operating under the trade name, BPI Wealth	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. (BPHI)	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 Computer Systems Corp.	Philippines	Business systems service	100	100
BPI Forex Corp.	Philippines	Foreign exchange	100	100
BPI Remittance Centre (HK) Ltd.	Hong Kong	Remittance	100	100
BPI Wealth Singapore Pte Ltd	Singapore	Asset management	100	-
First Far East Development Corporation	Philippines	Real estate	100	100
FEB Stock Brokers, Inc.	Philippines	Securities dealer	100	100
FEB Speed International	Philippines	Remittance	100	100
Ayala Plans, Inc.	Philippines	Pre-need	98.93	98.93
FGU Insurance Corporation	Philippines	Non-life insurance	94.62	94.62
BPI/MS Insurance Corporation	Philippines	Non-life insurance	50.85	50.85

2 Assets and liabilities attributable to insurance operations

Details of assets and liabilities attributable to insurance operations at December 31 are as follows:

	Note	**2023**	2022
		(In Millions of Pesos)	
Assets			
Cash and cash equivalents	4	**193**	292
Insurance balances receivable, net		**6,111**	6,449
Investment securities			
Financial assets at fair value through profit or loss		**1,814**	1,771
Financial assets at fair value through other comprehensive income		**6,905**	6,618
Financial assets at amortized cost		**353**	267
Investment in associates		**167**	167
Accounts receivable and other assets, net		**3,378**	3,294
Land, building and equipment		**146**	202
		19,067	19,060

	2023	2022
	(In Millions of Pesos)	
Liabilities		
Reserves and other balances	**13,240**	13,094
Accounts payable, accrued expenses and other payables	**1,962**	1,825
	15,202	14,919

Details of income attributable to insurance operations before income tax and minority interest for the years ended December 31 are as follows:

	2023	2022	2021
		(In Millions of Pesos)	
Premiums earned and related income	**3,312**	3,016	3,071
Investment and other income	**1,675**	1,070	1,504
	4,987	4,086	4,575
Benefits, claims and maturities	**1,573**	1,280	1,502
Decrease in actuarial reserve liabilities	**(288)**	(336)	(486)
Commissions	**954**	924	856
Management and general expenses	**876**	811	817
Other expenses	**29**	28	32
	3,144	2,707	2,721
Income before income tax and minority interest	**1,843**	1,379	1,854

3 Business segments

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (CEO), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the BPI Group individually meet the definition of a reportable segment under Philippine Financial Reporting Standards (PFRS) 8, *Operating Segments*.

The BPI Group has determined the operating segments based on the nature of the services provided and the different clients/markets served representing a strategic business unit.

The BPI Group's main operating business segments follow:

- Consumer banking - this segment serves the individual and retail markets. Services cover deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. The segment also includes the entire transaction processing and service delivery infrastructure consisting of network of branches and ATMs as well as phone and internet-based banking platforms for individual customers.

- Corporate banking - this segment caters both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade, cash management and internet-based banking platforms for corporate and institutional customers.

- Investment banking - this segment includes the various business groups operating in the investment markets and dealing in activities other than lending and deposit taking. These services cover corporate finance, securities distribution, asset management, trust and fiduciary services as well as proprietary trading and investment activities.

The performance of the Parent Bank is assessed as a single unit using financial information presented in the separate or Parent only financial statements. Likewise, the CEO assesses the performance of the insurance business as a standalone business segment separate from the banking and allied financial undertakings. Information on the assets, liabilities and results of operations of the insurance business is fully disclosed in Note 2.

The BPI Group and the Parent Bank mainly derive revenue within the Philippines; accordingly, no geographical segment is presented.

The segment report forms part of management's assessment of the performance of the segment, among other performance indicators.

There were no changes in the reportable segments during the year. Transactions between the business segments are carried out at arm's length. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. Inter-segment revenues, however, are deemed insignificant for financial reporting purposes, thus, not reported in segment analysis below.

The BPI Group's management reporting is based on a measure of operating profit comprising net interest income, impairment charge, fees and commission income, other income and operating expenses.

Segment assets and liabilities comprise majority of operating assets and liabilities, measured in a manner consistent with that shown in the statement of condition, but exclude items such as taxation.

The segment assets and liabilities as at December 31 and the results of the operations of the reportable segments of the BPI Group's for the years ended December 31 follow:

	2023			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	65,271	28,108	15,117	108,496
Provision for (reversal of) credit and impairment losses	7,711	(3,837)	140	4,014
Net interest income after provision for credit and impairment losses	57,560	31,945	14,977	104,482
Fees, commissions and other income, net	20,328	2,932	8,749	32,009
Total income	77,888	34,877	23,726	136,491
Compensation and fringe benefits	19,375	3,314	1,786	24,475
Occupancy and equipment-related expenses	10,144	1,089	865	12,098
Other operating expenses	26,485	4,082	3,221	33,788
Total other expenses	56,004	8,485	5,872	70,361
Operating profit	21,884	26,392	17,854	66,130
Income tax expense				13,299
Net income				51,912
Share in net income of associates				1,372
Total assets	644,092	1,505,254	717,734	2,867,080
Total liabilities	1,670,879	687,265	163,858	2,522,002

	2022			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	49,614	26,746	12,281	88,641
Provision for credit and impairment losses	2,808	6,326	25	9,159
Net interest income after provision for credit and impairment losses	46,806	20,420	12,256	79,482
Fees, commissions and other income, net	17,017	2,847	7,064	26,928
Total income	63,823	23,267	19,320	106,410
Compensation and fringe benefits	14,698	2,459	1,162	18,319
Occupancy and equipment-related expenses	5,471	115	646	6,232
Other operating expenses	25,215	3,211	1,484	29,910
Total other expenses	45,384	5,785	3,292	54,461
Operating profit	18,439	17,482	16,028	51,949
Income tax expense				11,532
Net income				39,836
Share in net income of associates				1,056
Total assets	579,926	1,390,803	658,828	2,629,557
Total liabilities	1,534,471	618,008	142,236	2,294,715

	2021			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	36,478	27,934	8,988	73,400
Provision for (reversal of) credit and impairment losses	3,157	10,118	(172)	13,103
Net interest income after provision for credit and impairment losses	33,321	17,816	9,160	60,297
Fees, commissions and other income, net	15,846	2,703	7,333	25,882
Total income	49,167	20,519	16,493	86,179
Compensation and fringe benefits	13,911	2,280	1,053	17,244
Occupancy and equipment-related expenses	5,988	112	472	6,572
Other operating expenses	20,075	3,295	1,566	24,936
Total other expenses	39,974	5,687	3,091	48,752
Operating profit	9,193	14,832	13,402	37,427
Income tax expense				9,427
Net income				24,110
Share in net income of associates				1,086
Total assets	495,878	1,205,841	679,536	2,381,255
Total liabilities	1,334,077	667,821	101,686	2,103,584

Reconciliation of segment results to consolidated results of operations:

	2023		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	108,496	(4,146)	104,350
Provision for credit and impairment losses	4,014	(14)	4,000
Net interest income after provision for credit and impairment losses	104,482	(4,132)	100,350
Fees, commissions and other income, net	32,009	1,962	33,971
Total income	136,491	(2,170)	134,321
Compensation and fringe benefits	24,475	(1,254)	23,221
Occupancy and equipment-related expenses	12,098	9,914	22,012
Other operating expenses	33,788	(9,911)	23,877
Total other expenses	70,361	(1,251)	69,110
Operating profit	66,130	(919)	65,211
Income tax expense	13,299		13,299
Net income	51,912		51,912
Share in net income of associates	1,372		1,372
Total assets	**2,867,080**	**21,292**	**2,888,372**
Total liabilities	**2,522,002**	**7,000**	**2,529,002**

	2022		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	88,641	(3,575)	85,066
Provision for credit and impairment losses	9,159	8	9,167
Net interest income after provision for credit and impairment losses	79,482	(3,583)	75,899
Fees, commissions and other income, net	26,928	6,531	33,459
Total income	106,410	2,948	109,358
Compensation and fringe benefits	18,319	1,209	19,528
Occupancy and equipment-related expenses	6,232	12,529	18,761
Other operating expenses	29,910	(10,209)	19,701
Total other expenses	54,461	3,529	57,990
Operating profit	51,949	(581)	51,368
Income tax expense	11,532		11,532
Net income	39,836		39,836
Share in net income of associates	1,056		1,056
Total assets	2,629,557	(25,596)	2,603,961
Total liabilities	2,294,715	(10,558)	2,284,157

	2021		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	73,400	(3,817)	69,583
Provision for credit and impairment losses	13,103	32	13,135
Net interest income after provision for credit and impairment losses	60,297	(3,849)	56,448
Fees, commissions and other income, net	25,882	1,940	27,822
Total income	86,179	(1,909)	84,270
Compensation and fringe benefits	17,244	1,284	18,528
Occupancy and equipment-related expenses	6,572	9,438	16,010
Other operating expenses	24,936	(8,741)	16,195
Total other expenses	48,752	1,981	50,733
Operating profit	37,427	(3,890)	33,537
Income tax expense	9,427		9,427
Net income	24,110		24,110
Share in net income of associates	1,086		1,086
Total assets	2,381,255	40,660	2,421,915
Total liabilities	2,103,584	23,175	2,126,759

“Consolidation adjustments/Others” pertain to amounts of insurance operations and support units and inter-segment elimination in accordance with the BPI Group’s internal reporting.

4 Cash and cash equivalents

The account at December 31 consists of:

	Notes	Consolidated		Parent	
		2023	2022	**2023**	2022
		(In Millions of Pesos)			
Cash and other cash items		**34,843**	39,613	**34,444**	39,359
Due from BSP		**199,619**	182,869	**192,246**	178,534
Due from other banks		**36,292**	45,190	**33,081**	43,096
Interbank loans receivable and securities purchased under agreements to resell (SPAR)	5	**17,535**	5,156	**14,234**	4,460
Cash and cash equivalents attributable to insurance operations	2	**193**	292	**-**	-
		288,482	273,120	**274,005**	265,449

5 Interbank loans receivable and SPAR, net

The account at December 31 consists of transactions with:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
BSP	**15,177**	136	**11,982**	-
Other banks	**5,483**	12,259	**5,379**	11,645
	20,660	12,395	**17,361**	11,645
Accrued interest receivable	**26**	27	**24**	26
	20,686	12,422	**17,385**	11,671
Allowance for impairment	**(43)**	(40)	**(43)**	(40)
	20,643	12,382	**17,342**	11,631

As at December 31, 2023, interbank loans receivable and SPAR maturing within 90 days from the date of acquisition amounting to P17,535 million (2022 - P5,156 million) for the BPI Group and P14,234 million (2022 - P4,460 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	
	2023	2022	**2023**	2022
Peso-denominated	**4.75 - 8.50**	4.50 - 8.28	**4.75 - 8.50**	4.50 - 8.28
US dollar-denominated	**4.85 - 5.25**	3.13 - 4.29	**4.85 - 5.15**	4.05 - 4.18

6 Financial assets at fair value through profit or loss (FVTPL)

The account at December 31 consists of:

	Note	Consolidated		Parent	
		2023	2022	**2023**	2022
		(In Millions of Pesos)			
Debt securities					
Government securities		**15,928**	10,974	**13,654**	9,876
Commercial papers of private companies		**3,813**	3,820	**6**	30
Listed equity securities		**111**	192	**-**	-
Derivative financial assets	7	**3,802**	7,147	**3,796**	7,035
		23,654	22,133	**17,456**	16,941

All financial assets at FVTPL held by the BPI Group and the Parent Bank are classified as current.

7 Derivative financial instruments

Derivatives held by the BPI Group consist mainly of the following:

- Foreign exchange forwards represent commitments to purchase or sell one currency against another at an agreed forward rate on a specified date in the future. Settlement can be made via full delivery of forward proceeds or via payment of the difference (non-deliverable forward) between the contracted forward rate and the prevailing market rate at maturity.

- Foreign exchange swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future.

- Interest rate swaps refer to agreement to exchange fixed rate versus floating interest payments (or vice versa) on a reference notional amount over an agreed period.

- Cross currency swaps refer to an exchange of notional amounts on two currencies at a given exchange rate where the parties on the transaction agree to pay a stated interest rate on the received notional amount and accept a stated interest rate on the delivered notional amount, payable and receivable or net settled (non-deliverable swaps) periodically over the term of the transaction.

The BPI Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the BPI Group assesses counterparties using the same techniques as for its lending activities.

The fair values of derivative financial instruments as at December 31 are set out below:

<u>Consolidated</u>

	Assets		Liabilities	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**174**	411	**53**	52
Currency forwards	**1,309**	3,557	**1,262**	2,184
Options	**-**	3	**-**	-
Interest rate swaps	**2,317**	3,164	**1,506**	2,061
Warrants	**2**	2	**-**	-
Equity options	**-**	10	**-**	-
	3,802	7,147	**2,821**	4,297

Parent

	Assets		Liabilities	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**173**	411	**53**	52
Currency forwards	**1,304**	3,455	**1,215**	2,140
Options	**-**	3	**-**	-
Interest rate swaps	**2,317**	3,164	**1,506**	2,061
Warrants	**2**	2	**-**	-
	3,796	7,035	**2,774**	4,253

In 2022, the Parent Bank began trading foreign exchange options as part of the BPI Group's strategy subsequent to the granting of Type 1 derivative license by the BSP in 2021. During the years ended December 31, 2023 and 2022, the BPI Group did not enter into any transactions under hedge accounting.

As at December 31, 2023, the Parent Bank has no derivative financial assets referenced to London Interbank Offered Rate (LIBOR) (2022 - P104,915 million). The Parent Bank has fully transitioned to LIBOR-fallback in accordance with the fallback protocol that the Parent Bank adhered to with International Swaps and Derivatives Association (ISDA).

Critical accounting estimate - Determination of fair value of derivatives and other financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments.

All models are approved by the BOD before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions about these factors could affect reported fair value of financial instruments. The BPI Group considers that it is impracticable, however, to disclose with sufficient reliability the possible effects of sensitivities surrounding the fair value of financial instruments that are not quoted in active markets.

8 Financial assets at fair value through other comprehensive income (FVOCI)

Details of the account at December 31 are as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Debt securities				
Government securities	**191,506**	85,143	**188,459**	83,588
Commercial papers of private companies	**21,732**	6,701	**21,452**	6,294
	213,238	91,844	**209,911**	89,882
Accrued interest receivable	**2,542**	603	**2,531**	595
	215,780	92,447	**212,442**	90,477
Equity securities				
Listed	**1,266**	1,709	**1,043**	1,331
Unlisted	**1,608**	1,111	**698**	345
	2,874	2,820	**1,741**	1,676
	218,654	95,267	**214,183**	92,153

The BPI Group has designated a small portfolio of equity securities from listed and unlisted private corporations as financial assets at FVOCI. The BPI Group adopted this presentation as the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

Debt securities classified as financial assets at FVOCI are classified as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**40,551**	7,959	**38,990**	6,788
Non-current (over 12 months)	**175,229**	84,488	**173,452**	83,689
	215,780	92,447	**212,442**	90,477

The range of average effective interest rates (%) of financial assets at FVOCI for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Peso-denominated	**2.20 - 8.57**	2.20 - 8.57	**2.20 - 8.57**	2.20 - 8.57
Foreign currency-denominated	**0.24 - 7.00**	0.15 - 6.10	**0.24 - 7.00**	0.15 - 6.10

Interest income from debt instruments recognized in the statement of income for the year ended December 31, 2023 amounts to P6,176 million (2022 - P1,987 million; 2021 - P2,473 million) and P6,060 million (2022 - P1,945 million; 2021 - P2,306 million) for the BPI Group and Parent Bank, respectively.

Dividend income from equity instruments recognized in the statement of income under other operating income for the year ended December 31, 2023 amounts to P100 million (2022 - P60 million; 2021 - P30 million) and P66 million (2022 - P36 million; 2021 - P16 million) for the BPI Group and Parent Bank, respectively (Note 19).

9 Investment securities at amortized cost, net

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Government securities	**320,808**	338,323	**320,161**	337,661
Commercial papers of private companies	**58,326**	78,345	**53,448**	73,568
	379,134	416,668	**373,609**	411,229
Accrued interest receivable	**3,608**	3,876	**3,542**	3,817
	382,742	420,544	**377,151**	415,046
Allowance for impairment	**(31)**	(11)	**(31)**	(11)
	382,711	420,533	**377,120**	415,035

The range of average effective interest rates (%) for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Peso-denominated	**2.09 - 8.13**	2.00 - 8.13	**2.09 - 8.13**	2.00 - 8.13
Foreign currency-denominated	**0.13 - 7.32**	0.13 - 7.13	**0.80 - 6.07**	0.13 - 7.13

In 2023, the BPI Group and the Parent Bank sold close-to-maturity debt securities which resulted in a net gain of P2 million. In 2022, the BPI Group and the Parent Bank recognized a net gain on disposal of P214 million resulting from sale of an insignificant amount of debt securities. In 2021, the BPI Group and the Parent Bank recognized a net gain on derecognition of P1,513 million and P1,166 million, respectively, due mainly to its disposal of a portfolio of debt securities in response to an impending change in tax regulations and as part of disposal of the entire portfolio of investments securities at amortized cost of a significant subsidiary. Consistent with the allowed sales of investments under the hold-to-collect business model following the requirements of PFRS 9, Financial Instruments, and BSP Circular 708, the circumstances resulting in the disposals are deemed isolated and non-recurring events that are beyond the BPI Group’s control and could not have been reasonably anticipated at the time that the business model has been established.

As at December 31, 2023, government securities aggregating P3.43 billion (2022 - P19.11 billion) are used as security for bills payable of the Parent Bank (Note 16).

Interest income from these investment securities recognized in the statement of income for the year ended December 31, 2023 amounts to P14,678 million (2022 - P14,514 million; 2021 - P7,657 million) and P14,549 million (2022 - P14,388 million; 2021 - P7,347 million) for the BPI Group and the Parent Bank, respectively.

Investment securities at amortized cost are expected to be realized as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**64,063**	41,813	**63,742**	41,918
Non-current (over 12 months)	**318,648**	378,720	**313,378**	373,117
	382,711	420,533	**377,120**	415,035

As at December 31, 2023, the Parent Bank has P6,459 million (2022 - P6,401 million) outstanding securities overlying securitization structures measured at amortized cost. The securities are held for collection of contractual cash flows until maturity and those cash flows represent solely payments of principal and interest.

Critical accounting judgment - Classification of investment securities at amortized cost

The BPI Group classifies its financial assets at initial recognition as to whether it will be subsequently measured at FVOCI, at amortized cost, or at FVTPL. The BPI Group determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The BPI Group determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the “SPPI”). If the instrument fails the SPPI test, it will be measured at FVTPL.

10 Loans and advances, net

Details of this account at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Corporate loans				
Large corporate customers	**1,446,426**	1,348,210	**1,442,251**	1,342,447
Small and medium enterprise	**79,097**	76,046	**79,093**	76,039
Retail loans				
Credit cards	**137,889**	99,680	**137,889**	99,680
Real estate mortgages	**171,495**	158,137	**170,321**	156,862
Auto loans	**71,896**	58,009	**71,895**	58,009
Others	**28,536**	16,675	**229**	225
	1,935,339	1,756,757	**1,901,678**	1,733,262
Accrued interest receivable	**12,943**	11,189	**12,006**	10,632
Unearned discount/income	**(8,801)**	(7,189)	**(8,795)**	(7,179)
	1,939,481	1,760,757	**1,904,889**	1,736,715
Allowance for impairment	**(57,474)**	(57,767)	**(55,049)**	(56,031)
	1,882,007	1,702,990	**1,849,840**	1,680,684

As at December 31, 2023 and 2022, the BPI Group has no outstanding loans and advances used as security for bills payable (Note 16).

As at December 31, 2023, the Parent Bank has no LIBOR referenced loans (2022 - P63,263 million). In 2023, the Parent Bank has fully transitioned these LIBOR referenced loans to the alternative reference rate adopted by the Parent Bank.

Loans and advances include amounts due from related parties (Note 25).

Loans and advances are expected to be realized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**776,788**	678,738	**766,284**	669,478
Non-current (over 12 months)	**1,162,693**	1,082,019	**1,138,605**	1,067,237
	1,939,481	1,760,757	**1,904,889**	1,736,715

The range of average interest rates (%) of loans and advances for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Commercial loans				
Peso-denominated loans	**5.44 - 6.13**	4.15 - 5.24	**5.44 - 6.13**	4.16 - 5.24
Foreign currency-denominated loans	**5.80 - 6.63**	2.73 - 5.85	**5.80 - 6.63**	2.73 - 5.85
Real estate mortgages	**6.63 - 7.32**	6.11 - 7.03	**6.72 - 7.31**	6.09 - 7.02
Auto loans	**9.76 - 10.32**	9.54 - 10.01	**9.76 - 10.32**	9.54 - 10.01

Interest income from loans and advances for the year ended December 31, 2023 for the BPI Group and the Parent Bank amounts to P120,900 million (2022 - P84,909 million; 2021 - P72,225 million) and P114,050 million (2022 - P80,724 million; 2021 - P53,426 million), respectively.

Details of the loans and advances portfolio at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**304,090**	281,974	**302,870**	280,633
Project assets	**138,915**	143,541	**138,915**	143,541
Chattel mortgage	**75,028**	60,287	**75,028**	60,287
Others	**25,912**	39,698	**25,757**	38,944
	543,945	525,500	**542,570**	523,405
Unsecured loans	**1,382,593**	1,224,068	**1,350,313**	1,202,678
	1,926,538	1,749,568	**1,892,883**	1,726,083

Others represent loans secured mainly by hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

11 Bank premises, furniture, fixtures and equipment, net

The details of and movements in the account are summarized below:

Consolidated

	2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
	(In Millions of Pesos)			
Cost				
January 1, 2023	3,015	31,087	16,400	**50,502**
Additions	-	3,523	2,954	**6,477**
Disposals	(30)	(330)	(2,946)	**(3,306)**
Transfers	-	(30)	(19)	**(49)**
Other changes	(2)	43	-	**41**
December 31, 2023	**2,983**	**34,293**	**16,389**	**53,665**
Accumulated depreciation				
January 1, 2023	-	16,622	14,525	**31,147**
Depreciation and amortization	-	2,922	989	**3,911**
Disposals	-	(244)	(980)	**(1,224)**
Transfers	-	4	(8)	**(4)**
Other changes	-	84	-	**84**
December 31, 2023	**-**	**19,388**	**14,526**	**33,914**
Net book value, December 31, 2023	**2,983**	**14,905**	**1,863**	**19,751**

	2022			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
	(In Millions of Pesos)			
Cost				
January 1, 2022	3,048	26,192	16,941	46,181
Additions	5	5,196	951	6,152
Disposals	(38)	(552)	(1,492)	(2,082)
Transfers	-	(6)	(2)	(8)
Other changes	-	257	2	259
December 31, 2022	3,015	31,087	16,400	50,502
Accumulated depreciation				
January 1, 2022	-	13,827	14,829	28,656
Depreciation and amortization	-	3,054	938	3,992
Disposals	-	(391)	(1,243)	(1,634)
Transfers	-	(4)	(1)	(5)
Other changes	-	136	2	138
December 31, 2022	-	16,622	14,525	31,147
Net book value, December 31, 2022	3,015	14,465	1,875	19,355

Parent

	2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
	(In Millions of Pesos)			
Cost				
January 1, 2023	3,015	28,880	15,693	**47,588**
Additions	-	3,167	2,870	**6,037**
Disposals	(30)	(294)	(2,936)	**(3,260)**
Transfers	-	(30)	-	**(30)**
Other changes	(3)	(749)	-	**(752)**
December 31, 2023	**2,982**	**30,974**	**15,627**	**49,583**
Accumulated depreciation				
January 1, 2023	-	14,934	13,933	**28,867**
Depreciation and amortization	-	2,567	928	**3,495**
Disposals	-	(209)	(974)	**(1,183)**
Transfers	-	3	-	**3**
Other changes	-	-	-	**-**
December 31, 2023	**-**	**17,295**	**13,887**	**31,182**
Net book value, December 31, 2023	**2,982**	**13,679**	**1,740**	**18,401**

	2022				
	Note	Land	Buildings and leasehold improvements	Furniture and equipment	Total
			(In Millions of Pesos)		
Cost					
December 31, 2021		2,703	22,461	14,914	40,078
Impact of merger	30.1	346	1,964	1,354	3,664
January 1, 2022		3,049	24,425	16,268	43,742
Additions		4	4,892	903	5,799
Disposals		(38)	(429)	(1,478)	(1,945)
Transfers		-	(6)	-	(6)
Other changes		-	(2)	-	(2)
December 31, 2022		3,015	28,880	15,693	47,588
Accumulated depreciation					
December 31, 2021		-	11,708	13,127	24,835
Impact of merger	30.1	-	760	1,190	1,950
January 1, 2022		-	12,468	14,317	26,785
Depreciation and amortization		-	2,743	850	3,593
Disposals		-	(272)	(1,234)	(1,506)
Transfers		-	(4)	-	(4)
Other changes		-	(1)	-	(1)
December 31, 2022		-	14,934	13,933	28,867
Net book value, December 31, 2022		3,015	13,946	1,760	18,721

As at December 31, 2023, the BPI Group has recognized construction-in-progress amounting to P1.45 billion (2022 - P914 million) in relation to the redevelopment of its main office.

In 2022, the Parent Bank entered into a contract of lease with Ayala Land, Inc., a related party, for the lease of an office unit at Ayala Triangle Gardens Tower 2. In 2023, the Parent Bank assigned a portion of its office unit to BPI Securities Corporation, BPI Capital Corporation and BPI Wealth, effective July 1, 2023.

Other changes pertain to additions and remeasurement of right-of-use assets due to lease modification, renewal of lease agreements, extension of lease terms and deferral of escalation clause on existing lease contracts.

Depreciation and amortization charges are included in “Occupancy and equipment-related expenses” category in the statements of income.

In 2023, the Parent Bank realized a gain of P420 million (2022 - P5,295 million) (Note 19) from the disposal of certain bank premises, furniture, fixtures and equipment.

In 2022, the Parent Bank sold two properties located at Pasong Tamo, Makati City with a net book value of P126 million for a purchase price of P5.49 billion resulting in a gain on sale of P4.99 billion, net of gross receipts tax, which forms part of the realized gain recorded within Other operating income (Note 19). Out of the total gain of P4.99 billion, P4.31 billion pertains to the portion of the property classified as investment property under Other assets (Note 14).

Critical accounting estimate - Useful lives of bank premises, furniture, fixtures and equipment

The BPI Group determines the estimated useful lives of its bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use. The BPI Group annually reviews the estimated useful lives of bank premises, furniture, fixtures and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The BPI Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the carrying values of bank premises, furniture, fixtures and equipment.

12 Investments in subsidiaries and associates, net

This account at December 31 consists of investments in shares of stock as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Carrying value (net of impairment)				
Investments at equity method	**8,287**	7,227	**-**	-
Investments at cost method	**-**	-	**15,526**	15,406
	8,287	7,227	**15,526**	15,406

Investments in associates accounted for using the equity method in the consolidated statement of condition are as follows:

Name of entity	Place of business/ country of incorporation	Percentage of ownership interest		Acquisition cost	
		2023	2022	**2023**	2022
		(in %)		(In Millions of Pesos)	
Global Payments Asia-Pacific Philippines, Incorporated	Philippines	**49.00**	49.00	**1,342**	1,342
AF Payments, Inc. (AFPI)	Philippines	**20.00**	20.00	**1,060**	940
BPI AIA Life Assurance Corporation (formerly BPI-Philamlife Assurance Corporation)	Philippines	**47.96**	47.96	**389**	389
BPI Century Tokyo Lease and Finance Corporation	Philippines	**49.00**	49.00	**316**	316
Beacon Property Ventures, Inc.	Philippines	**20.00**	20.00	**72**	72
CityTrust Realty Corporation	Philippines	**40.00**	40.00	**2**	2
				3,181	3,061

The movements in investments in associates accounted for using the equity method in the consolidated financial statements are summarized as follows:

	2023	2022
	(In Millions of Pesos)	
Acquisition cost		
At January 1	**3,061**	3,061
Additions during the year	**120**	-
At December 31	**3,181**	3,061
Accumulated equity in net income		
At January 1	**4,437**	4,076
Share in net income for the year	**1,372**	1,055
Dividends received	**(889)**	(694)
At December 31	**4,920**	4,437
Accumulated share in other comprehensive income (loss)		
At January 1	**(131)**	168
Share in other comprehensive income (loss) for the year	**457**	(299)
At December 31	**326**	(131)
Allowance for impairment	**(140)**	(140)
	8,287	7,227

No associate is deemed individually significant for financial reporting purposes. Accordingly, the relevant unaudited financial information of associates as at and for the years ended December 31 are aggregated as follows:

	2023	2022
	(In Millions of Pesos)	
Total assets	**129,429**	127,610
Total liabilities	**111,601**	112,119
Total revenues	**24,198**	13,771
Total net income	**2,924**	1,925

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	
	2023	2022	**2023**	2022	**2023**	2022
			(In Millions of Pesos)			
Subsidiaries						
BPI Europe Plc.	**7,180**	7,180	**-**	-	**7,180**	7,180
BPI Direct BanKo, Inc., A Savings Bank	**2,009**	2,009	**-**	-	**2,009**	2,009
BPI Wealth	**1,502**	1,502	**-**	-	**1,502**	1,502
Ayala Plans, Inc.	**864**	864	**-**	-	**864**	864
BPI Payments Holdings Inc.	**813**	693	**(672)**	(672)	**141**	21
BPI Capital Corporation	**623**	623	**-**	-	**623**	623
FGU Insurance Corporation	**303**	303	**-**	-	**303**	303
BPI Forex Corp.	**195**	195	**-**	-	**195**	195
BPI International Finance Limited	**143**	143	**-**	-	**143**	143
Santiago Land Development Corporation	**140**	140	**-**	-	**140**	140
BPI Remittance Centre (HK) Ltd.	**132**	132	**-**	-	**132**	132
First Far East Development Corporation	**91**	91	**-**	-	**91**	91
FEB Stock Brokers, Inc.	**25**	25	**-**	-	**25**	25
BPI Computer Systems Corp.	**23**	23	**-**	-	**23**	23
Others	**35**	35	**-**	-	**35**	35
Associates	**2,120**	2,120	**-**	-	**2,120**	2,120
	16,198	16,078	**(672)**	(672)	**15,526**	15,406

In 2023, the Parent Bank made additional capital infusions to BPHI amounting to P120 million.

In June 2023, BPI Wealth Singapore Pte. Ltd. was incorporated with the Accounting and Corporate Regulatory Authority of Singapore with BPI Parent as the sole owner of its share amounting to 1 SGD. As at December 31, 2023, the entity is non-operational and awaiting approval of its Capital Market Services license by the Monetary Authority of Singapore.

In 2021, the Parent Bank recognized an impairment loss of P60 million on its investment in BPHI due to financial losses incurred by BPHI's associate, AFPI. In computing for its recoverable amount, the Parent Bank used a discount rate of 13.08% in assessing its value in use, which amounts to P21 million. There are no changes in the allowance for impairment for the year ended December 31, 2023.

No non-controlling interest arising from investments in subsidiaries is deemed material to the BPI Group.

Critical accounting judgment and estimate - Impairment of investments in subsidiaries and associates

The BPI Group assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the BPI Group considers important which could trigger an impairment review include the following:

- significant decline in market value;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- significant negative industry or economic trends.

The BPI Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Management has not identified any indicators of impairment as at December 31, 2023 and 2022 in its subsidiaries apart from BPHI.

For the 2023 and 2022 reporting periods, the recoverable amount of the subsidiary was determined based on the higher between fair value less cost to sell and value-in-use (VIU) calculations which require the use of assumptions. The VIU calculations use cash flow projections based on financial budgets approved by management.

The BPI Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the recoverable amount of the subsidiary.

13 Deferred income taxes

Details of deferred income tax assets and liabilities at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Deferred income tax assets				
Allowance for credit and impairment losses	**15,277**	15,380	**14,607**	14,889
Pension liability	**2,499**	1,736	**2,419**	1,736
Provisions	**644**	480	**595**	434
Others	**(62)**	(63)	**24**	19
Total deferred income tax assets	**18,358**	17,533	**17,645**	17,078
Deferred income tax liabilities				
Unrealized gain on property appraisal	**(39)**	(394)	**(39)**	(394)
Others	**(134)**	(387)	**(70)**	(328)
Total deferred income tax liabilities	**(173)**	(781)	**(109)**	(722)
Deferred income tax assets, net	**18,185**	16,752	**17,536**	16,356

Movements in net deferred income tax assets are summarized as follows:

	Note	Consolidated		Parent	
		2023	2022	**2023**	2022
		(In Millions of Pesos)			
Beginning of the year		**16,752**	15,819	**16,356**	11,953
Impact of merger	30.1	**-**	-	**-**	3,449
Amounts recognized in statement of income		**635**	906	**419**	943
Amounts recognized in other comprehensive income		**798**	27	**761**	11
End of the year		**18,185**	16,752	**17,536**	16,356

Details of deferred income tax items recognized in the statement of income are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Allowance for impairment	**99**	(1,164)	(1,816)	**280**	(1,152)	(1,541)
Pension	**(629)**	33	(131)	**(606)**	46	(121)
Net operating loss carryover (NOLCO)	**-**	-	(6)	**-**	-	-
Others	**(105)**	225	3,052	**(93)**	163	2,037
	(635)	(906)	1,099	**(419)**	(943)	375

Critical accounting judgment - Realization of deferred income tax assets

Management reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be applied. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

14 Other assets, net

The account at December 31 consists of the following:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Sundry debits	**10,025**	2,839	**9,988**	2,723
Accounts receivable	**2,780**	6,327	**4,118**	6,728
Prepaid expenses	**1,991**	1,608	**1,924**	1,546
Intangible assets	**854**	2,316	**831**	2,277
Rental deposits	**828**	825	**782**	782
Accrued trust and other fees	**673**	645	**138**	139
Creditable withholding tax	**428**	328	**286**	189
Investment properties	**69**	73	**58**	62
Miscellaneous assets	**3,376**	3,058	**2,895**	2,792
	21,024	18,019	**21,020**	17,238
Allowance for impairment	**(1,108)**	(1,189)	**(1,019)**	(1,135)
	19,916	16,830	**20,001**	16,103

Sundry debits are float items caused by timing differences in recording of transactions. These float items are normally cleared within one day.

Accounts receivable includes non-loan related receivables from merchants and service providers, litigation related receivables and receivables from employees.

Prepaid expenses include Philippine Deposit Insurance Corporation (PDIC) assessment dues, prepayments for rent, allowances and taxes.

Intangible assets comprise computer software costs, contractual customer relationships and management contracts.

Miscellaneous assets include postage stamps, stationery and supplies.

The allowance for impairment pertains mainly to accounts receivable. The reconciliation of the allowance for impairment at December 31 is summarized as follows:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Beginning of the year		**1,189**	1,099	**1,135**	908
Impact of merger	30.1	**-**	-	**-**	136
Provision for impairment losses		**61**	255	**40**	243
Transfer/reallocation		**(6)**	(33)	**(20)**	(20)
Write-off		**(136)**	(132)	**(136)**	(132)
End of the year		**1,108**	1,189	**1,019**	1,135

Other assets are expected to be realized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**20,040**	15,554	**20,117**	14,883
Non-current (over 12 months)	**984**	2,465	**903**	2,355
	21,024	18,019	**21,020**	17,238

15 Deposit liabilities

The account at December 31 consists of:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Demand	**379,076**	376,337	**382,443**	379,169
Savings	**1,158,548**	1,182,071	**1,148,770**	1,172,009
Time	**757,482**	537,593	**732,920**	531,406
	2,295,106	2,096,001	**2,264,133**	2,082,584

Deposit liabilities include amounts due to related parties (Note 25).

Deposit liabilities are expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**1,392,507**	1,272,994	**1,368,484**	1,265,986
Non-current (over 12 months)	**902,599**	823,007	**895,649**	816,598
	2,295,106	2,096,001	**2,264,133**	2,082,584

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		
	2023	2022	2021	**2023**	2022	2021
			(In Millions of Pesos)			
Demand	**248**	287	377	**248**	286	359
Savings	**2,115**	2,420	3,419	**2,065**	2,375	2,841
Time	**33,664**	12,114	6,372	**32,621**	12,050	2,387
	36,027	14,821	10,168	**34,934**	14,711	5,587

BSP reserve requirement

The Parent Bank and its bank subsidiaries should comply with a minimum reserve requirement on deposit and deposit substitute liabilities in local currency.

In 2023, the BSP approved the reduction in reserves which brought the requirement down to 9.5% for universal and commercial banks effective June 30,2023 by virtue of BSP Circular No.1175. For thrift banks, the BSP approved reduction in reserves which brought the requirement from 3% down to 2% effective June 30, 2023 by virtue of BSP Circular No.1175. These rates continue to be consistent throughout 2023.

Reserves must be set aside in deposits with the BSP. As at December 31, 2023, the reserves (included in Due from BSP) amounted to P186,356 million (2022 - P212,276 million) for the BPI Group and P185,703 million (2022 - P211,789 million) for the Parent Bank. The BPI Group is in full compliance with the reserve requirement as at December 31, 2023 and 2022.

16 Bills payable and other borrowed funds

The account at December 31 consists of:

	Consolidated		Parent	
	2023	2022	**2023**	2022
		(In Millions of Pesos)		
Bills payable				
Local banks	**720**	3,471	**-**	3,471
Foreign banks	**22,359**	17,056	**19,701**	12,555
Other borrowed funds	**114,025**	76,976	**114,025**	76,976
	137,104	97,503	**133,726**	93,002

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. Investment securities at amortized cost serve as collateral for the Parent Bank's bills payable (Note 9). The average payment terms of these bills payable is one year (2022 - 1.11 years).

On August 24, 2023, the Parent Bank signed a facility agreement for an unsecured syndicated term loan amounting to US Dollar (USD) 300 million. The three-year loan which was drawn down on August 24, 2023 bears a floating interest payable on a quarterly basis commencing in November 2023. The loan matures on August 24, 2026 and has a carrying amount of P16,494 million as at December 31, 2023. The Parent Bank incurred origination costs amounting to USD 2.35 million.

The range of average interest rates (%) of bills payable for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Private firms and local banks - Peso - denominated	**5.75 - 7.00**	3.75 - 6.40	**5.75 - 7.00**	3.75 - 6.40
Foreign banks - Foreign currency-denominated	**2.70 - 7.23**	0.13 - 5.96	**5.00 - 6.33**	2.95 - 4.27

Other borrowed funds

This represents funds raised via the BPI Group's 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 6.797% per annum, payable quarterly which matured on March 6, 2020. On November 20, 2019, BPI's Board of Directors approved the issuance of Peso-denominated bonds and commercial papers of up to P100 billion, of which P97 billion has been drawdown in multiple tranches, under an updated Bank Bond Issuance Program with outstanding drawdown as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount 2023	Carrying amount 2022
				(In Millions of Pesos)		
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 31, 2022	2.81%	January 31, 2024	27,000	**27,000**	26,874

Bonds with a total face amount of P36,828 million which were issued in two tranches under this Program matured in 2022.

(b) Peso-denominated Bonds under the P100 billion Bond Program

On May 18, 2022, the BOD of the Parent Bank approved a new P100 billion Bond Program. On January 30, 2023, BPI issued the first tranche called BPI Reinforcing Inclusive Support for Micro, Small and Medium Enterprises (MSMEs) Bonds ("BPI RISE Bonds"). The net proceeds amounting to P26,763 million will be used to finance or refinance the business requirements of eligible MSMEs, consistent with BPI's Sustainable Funding Framework. On November 13, 2023, BPI issued the second tranche of this Bond Program. As at December 31, 2023, both drawdowns are outstanding with the following details:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount 2023	Carrying amount 2022
				(In Millions of Pesos)		
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 30, 2023	5.75%	July 30, 2024	20,300	**20,236**	-
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	November 13, 2023	6.43%	May 13, 2025	36,661	**36,371**	-

(c) Medium-Term Note (MTN) Program

On June 21, 2018, the BOD of the Parent Bank approved the establishment of the MTN Program in the aggregate amount of up to USD 2,000 million. On December 13, 2023, the BOD approved the increase in size of this program to USD 3,000 million. As at December 31, 2023 and 2022, the outstanding drawdowns under the MTN program are as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount 2023	Carrying amount 2022
				(In Millions of Pesos)		
US$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000	**-**	33,417
US$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	**16,594**	16,685

(d) Private Placement

On August 25, 2023, the Parent Bank issued a green bond amounting to USD 250 million with the International Finance Corporation as the sole subscriber. The bond carries floating interest payable on a semiannual basis. The bond is unconditional, unsecured and unsubordinated and is expected to mature on August 25, 2026. As at December 31, 2023, the carrying amount of the bond amounts to P13,824 million.

Following the BPI-BFB merger (Note 30.1), BPI assumed a P9,600 million bond with a coupon of 4.30% per annum, payable quarterly. At the acquisition date, the carrying amount of the bond amounted to P9,584 million. The bond matured on June 16, 2022.

Interest expense for the years ended December 31 is summarized as follows:

	Consolidated			**Parent**		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Bills payable	**1,050**	143	77	**811**	35	59
Other borrowed funds	**4,145**	3,238	4,789	**4,145**	3,238	4,337
	5,195	3,381	4,866	**4,956**	3,273	4,396

The movements in bills payable and other borrowed funds are summarized as follows:

		Consolidated		**Parent**	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
At January 1		**97,503**	95,039	**93,002**	82,550
Impact of merger	30.1	**-**	-	**-**	9,584
Additions		**138,190**	61,113	**122,029**	42,788
Maturities		**(98,232)**	(63,434)	**(80,976)**	(46,428)
Amortization of discount		**342**	241	**342**	241
Exchange differences		**(699)**	4,544	**(671)**	4,267
At December 31		**137,104**	97,503	**133,726**	93,002

Bills payable and other borrowed funds are expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**69,861**	51,715	**67,038**	49,443
Non-current (over 12 months)	**67,243**	45,788	**66,688**	43,559
	137,104	97,503	**133,726**	93,002

17 Deferred credits and other liabilities

The account at December 31 consists of the following:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Bills purchased - contra		**10,674**	12,270	**10,674**	12,270
Lease liabilities	20	**9,756**	10,095	**8,678**	9,726
Outstanding acceptances		**7,862**	9,100	**7,862**	9,100
Accounts payable		**7,603**	4,011	**7,082**	3,465
Other deferred credits		**3,063**	3,342	**3,063**	3,342
Due to the Treasurer of the Philippines		**1,568**	1,174	**1,557**	1,164
Withholding tax payable		**1,503**	880	**1,441**	841
Miscellaneous liabilities		**11,423**	10,336	**10,674**	9,537
		53,452	51,208	**51,031**	49,445

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.

Outstanding acceptances represent liabilities arising from the bank drafts and bills of exchange the Parent Bank has accepted from its clients.

Accounts payable consists of unpaid balances arising from transfer tax payments, settlement fees and operating expenses.

Other deferred credits mainly pertain to unexpired portion of membership fee paid by the credit card holders and discount on purchased contract-to-sell receivables from developers.

Miscellaneous liabilities include pension liability, allowance for credit losses for undrawn committed credit facilities and other employee-related payables.

The account is expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Current (within 12 months)	**41,642**	41,678	**40,268**	40,116
Non-current (over 12 months)	**11,810**	9,530	**10,763**	9,329
	53,452	51,208	**51,031**	49,445

18 Capital funds

(a) Share capital

Details of authorized share capital of the Parent Bank follow:

	2023	2022	2021
	(In Millions of Pesos, except par value per share)		
Authorized capital (at P10 par value per share)			
Common shares	**54,000**	50,000	50,000
Preferred A shares	**600**	600	600
	54,600	50,600	50,600

Details of the Parent Bank's subscribed common shares are as follows:

	2023	2022	2021
	(In absolute number of shares)		
Common shares			
At January 1	**4,919,307,531**	4,513,128,255	4,513,101,605
Subscription of shares during the year	**25,889,760**	406,179,276	26,650
At December 31	**4,945,197,291**	4,919,307,531	4,513,128,255
	(In absolute amounts)		
Subscription receivable	**144,726,145**	-	-

The BPI common shares are listed and traded in the PSE since October 12, 1971.

As at December 31, 2023, the Parent Bank has a subscription receivable representing the amortization of Executive Stock Purchase Plan (ESPP) shares in excess of par value and booked against share premium amounting to P342 million (2022 - P208 million; 2021 - P416 million).

On February 10, 2014, additional 370,370,370 common shares were listed as a result of the stock rights offer. Likewise, on April 25, 2018, BPI completed its P50 billion stock rights offer, which paved the way for the issuance of 558,659,210 new common shares at P89.50 per share. The new shares were issued to shareholders as of record date of April 6, 2018, at a ratio of 1:7.0594, or 1 new common share for every 7 shares held, or 14.2% of BPI's outstanding common shares. These new shares were listed on the Philippine Stock Exchange (PSE) on May 4, 2018.

As at December 31, 2023, 2022 and 2021, the Parent Bank has 11,760, 11,864 and 12,084 common shareholders, respectively. There are no preferred shares issued and outstanding at December 31, 2023, 2022 and 2021.

Preferred A shares shall have pre-emptive rights with respect to additional issues of Preferred A shares of the Parent Bank.

On June 8, 2021, the BSP approved the amendment to the Parent Bank's Articles of Incorporation reflecting the increase in its authorized share capital from 4.9 billion shares to 5 billion shares. The SEC approved the amendment on December 21, 2021.

On September 30, 2022, the BOD of the Parent Bank approved the increase in authorized share capital in the amount of P4,000 million divided into 400 million common shares with a par value of P10 per share. On December 21, 2023, the BSP approved the amendment of Article Seventh of the Amended Articles of Incorporation of the Parent Bank. On December 29, 2023, the SEC issued a Certificate of Approval and Increase of Capital Stock from P50.60 billion to P54.60 billion.

BPI and BFB merger (Note 30.1)

The Parent Bank issued 406,179,276 treasury shares on January 1, 2022 at a price of P81.35 per share as a consideration for the merger amounting to P33,042 billion (Note 30.1). The number of treasury shares issued was computed based on the net assets of BFB as at December 31, 2020 over the share price of the Parent Bank as at December 29, 2020. Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Bank's equity holders until the shares are cancelled, reissued or disposed of.

Pursuant to the issuance of shares due to the merger as at January 1, 2022, the Parent Bank's share capital and share premium increased by P4,062 million and P28,981 million, respectively, as at January 1, 2022.

On March 15, 2023, the treasury shares were declared as property dividends by the BOD amounting to P42,364 billion consisting of 406.18 million common shares at an entitlement ratio of 0.0896395563 for every 1 common share held by an eligible stockholder of BPI as of record date of March 29, 2023. Amount in excess of the cost of the treasury shares amounting to P8,949 million is presented as addition to share premium in the statement of changes in capital funds. Transaction costs incurred by the BPI Group and Parent Bank amounted to P372 million and P403 million, respectively.

(b) Reserves

The account consists of:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Reserve for trust business	**400**	387	389	**-**	-	-
Executive stock option plan amortization	**49**	132	141	**37**	116	126
Reserve for trading participants	**73**	73	-	**-**	-	-
Reserve for self-insurance	**34**	34	34	**34**	34	34
Merger reserves	**-**	-	-	**32,905**	32,905	-
Others	**87**	18	-	**-**	-	-
	643	644	564	**32,976**	33,055	160

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. Until December 31, 2019, the BPI Group has appropriated P4,739 million (2018 - P3,867 million) representing the excess of GLLP over PFRS 9 loan loss provision out of surplus to meet the requirements of the BSP. As at December 31, 2023 and December 31, 2022, the GLLP appropriation is nil as the loan loss provision for both years are higher than the required GLLP.

Reserve for trust business

In compliance with existing BSP regulations, 10% of BPI Wealth's, a wholly-owned subsidiary of the Parent Bank, income from trust business should be appropriated to surplus reserve. This appropriation is required until the surplus reserve for trust business reaches 20% of BPI Wealth's regulatory net worth.

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.

Reserve for trading participants

Reserve for trading participants represents the required annual minimum appropriation of net income of the BPI Group's broker/dealer activities through BPI Securities Corporation, a wholly-owned subsidiary of the Parent Bank, to a reserve fund in compliance with SEC Memorandum Circular No. 16-2004.

Merger reserves

Merger reserves represent the difference between the value of shares issued by the Parent Bank in exchange for the value of the shares acquired in respect of the acquisition of BFB accounted for under the pooling-of-interest method. It also include the results of operations of BFB during the year ended December 31, 2021, net of dividends declared on December 29, 2021.

Share-based compensation plan

The BOD of the Parent Bank approved to grant the Executive Stock Option Plan (ESOP) and ESPP to qualified beneficiaries/participants up to the following number of shares for future distribution:

Date	Approved ESOP shares	Approved ESPP shares
July 1, 2021	-	34,000,000
December 11, 2019	4,035,000	9,100,000
December 12, 2018	4,168,000	11,500,000
December 6, 2017	3,560,000	7,500,000
January 25, 2017	3,560,000	4,500,000

The ESOP has a three-year vesting period from grant date 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 P19.04 and P6.50 for the options granted in December 2019 and 2018, respectively.

Movements in the number of share options under the ESOP are summarized as follows:

	2023	2022	2021
At January 1	**9,866,999**	12,905,000	15,921,667
Granted	**-**	-	-
Exercised	**(3,900,440)**	(2,353,001)	(1,650,000)
Cancelled	**-**	(685,000)	(1,366,667)
At December 31	**5,966,559**	9,866,999	12,905,000
Exercisable	**5,966,559**	8,708,666	9,095,002

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 10% below the volume weighted average of BPI share price. The subscribed shares will vest over a period of three 3 years from grant date. The grant dates for the last three-year ESPP were on April 26, 2023, December 13, 2022 and February 4, 2020. The initial subscriptions for the ESPP granted on April 26, 2023 and December 13, 2022 were received on April 26, 2023 and March 10, 2023, respectively.

(c) Accumulated other comprehensive loss

Details of and movements in the account are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Fair value reserve on financial assets at FVOCI						
At January 1	**(8,058)**	(3,030)	559	**(7,465)**	(2,327)	932
Unrealized fair value gain (loss) before tax	**6,996**	(4,337)	(2,864)	**7,005**	(4,393)	(2,779)
Amount recycled to profit or loss	**(947)**	(28)	47	**(947)**	(28)	148
Deferred income tax effect	**(884)**	(663)	(772)	**(896)**	(717)	(628)
At December 31	**(2,893)**	(8,058)	(3,030)	**(2,303)**	(7,465)	(2,327)
Share in other comprehensive (loss) income of insurance subsidiaries						
At January 1	**(80)**	71	219	**-**	-	-
Share in other comprehensive income (loss) for the year, before tax	**63**	(187)	(184)	**-**	-	-
Deferred income tax effect	**(13)**	36	36	**-**	-	-
At December 31	**(30)**	(80)	71	**-**	-	-
Share in other comprehensive income (loss) of associates						
At January 1	**(162)**	166	446	**-**	-	-
Share in other comprehensive income (loss) for the year	**454**	(328)	(280)	**-**	-	-
At December 31	**292**	(162)	166	**-**	-	-
Translation adjustment on foreign operations						
At January 1	**(582)**	(517)	(1,144)	**-**	-	(291)
Translation differences and others	**(54)**	(65)	627	**-**	-	291
At December 31	**(636)**	(582)	(517)	**-**	-	-
Remeasurements of defined benefit obligation, net						
At January 1	**(5,374)**	(5,360)	(5,979)	**(4,378)**	(4,498)	(4,929)
Actuarial (losses) gains for the year	**(3,434)**	191	1,372	**(3,342)**	104	1,039
Deferred income tax effect	**948**	(205)	(753)	**947**	16	(608)
At December 31	**(7,860)**	(5,374)	(5,360)	**(6,773)**	(4,378)	(4,498)
	(11,127)	(14,256)	(8,670)	**(9,076)**	(11,843)	(6,825)

(d) Dividend declarations

Cash dividends

Dividends declared by the BOD of the Parent Bank are as follows:

	Amount of dividends	
Date declared	Per share	Total
		(In Millions of Pesos)
For the year ended December 31, 2023		
May 17, 2023	1.68	7,626
November 15, 2023	1.68	8,308
		15,934
For the year ended December 31, 2022		
May 18, 2022	1.06	4,784
November 16, 2022	1.06	4,784
		9,568
For the year ended December 31, 2021		
May 19, 2021	0.90	4,062
November 17, 2021	0.90	4,062
		8,124

Property dividends

On March 15, 2023, the BOD declared the treasury shares as property dividends (Note 18a).

(e) Earnings per share (EPS)

EPS is calculated as follows:

	Consolidated			**Parent**		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos, except earnings per share amounts)					
a) Net income attributable to equity holders of the Parent Bank	**51,687**	39,605	23,880	**50,053**	36,999	22,783
b) Weighted average number of common shares outstanding during the year	**4,741**	4,513	4,513	**4,741**	4,513	4,513
c) Basic EPS (a/b) based on net income	**10.90**	8.78	5.29	**10.56**	8.20	5.05

The basic and diluted EPS are the same for the years presented as the impact of stock options outstanding is not significant to the calculation of weighted average number of common shares.

19 Other income

(a) Fees and commission

Details of fees and commission are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Service charges	**9,673**	8,382	8,206	**9,000**	7,745	7,511
Bank commissions	**2,168**	1,787	1,796	**2,166**	1,771	1,540
Underwriting fees	**693**	936	858	**-**	-	-
Stock brokerage fees	**183**	234	344	**-**	-	-
	12,717	11,339	11,204	**11,166**	9,516	9,051

Service charges represents service fees and processing fees collected from customers.

Bank commissions include foreign and domestic commissions collected for services rendered.

(b) Other operating income

Details of other operating income are as follows:

		Consolidated			Parent		
	Notes	**2023**	2022	2021	**2023**	2022	2021
		(In Millions of Pesos)					
Credit card income		**6,207**	4,594	3,542	**6,209**	4,594	3,449
Trust and asset management fees		**4,211**	3,802	3,913	**2**	4	6
Gain on sale of assets	11	**407**	5,303	477	**420**	5,295	129
Rental income		**135**	195	236	**167**	225	285
Dividend income	8	**100**	60	30	**3,066**	1,810	6,939
Miscellaneous income		**3,207**	3,099	2,572	**2,877**	2,637	2,218
		14,267	17,053	10,770	**12,741**	14,565	13,026

Dividend income recognized by the Parent Bank substantially pertains to dividend distributions of subsidiaries.

Miscellaneous income includes recoveries on charged-off assets, fees arising from service arrangements with customers and related parties and share in net income (loss) of associates.

20 Leases

The BPI Group (as lessee) has various lease agreements which mainly pertain to branch premises and equipment. Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes. The balances arising from the lease contracts are presented below:

Right-of-use assets and lease liabilities (PFRS 16)

Details of right-of-use assets and lease liabilities as at December 31 are as follows:

		Consolidated		**Parent**	
	Notes	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Right-of-use assets					
Buildings and leasehold improvements	11	**8,404**	9,011	**7,365**	8,666
Lease liabilities (included in "Deferred credits and other liabilities")	17				
Current		**2,577**	3,417	**2,337**	3,225
Non-current		**7,179**	6,678	**6,341**	6,501
		9,756	10,095	**8,678**	9,726

Additions to the right-of-use assets (Note 11) in 2023 aggregated P1,701 million (2022 - P4,495 million) and P1,459 million (2022 - P4,220 million) for BPI Group and Parent bank, respectively. Total cash outflow for leases in 2023 amounted to P2,214 million (2022 - P1,925 million) and P1,933 million (2022 - P1,698 million) for BPI Group and Parent bank, respectively.

Amounts recognized in the statement of income relating to leases:

		Consolidated		Parent	
	Note	**2023**	2022	**2023**	2022
		(In Millions of Pesos)			
Depreciation expense					
Buildings and leasehold improvements	11	**2,186**	2,088	**1,936**	1,632
Interest expense (included in "Occupancy and equipment-related expenses")		**321**	301	**281**	281
Expense relating to short-term leases (included in "Occupancy and equipment-related expenses")		**101**	124	**101**	124
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in "Occupancy and equipment-related expenses")		**397**	235	**354**	213
		3,005	2,748	**2,672**	2,250

The BPI Group has received COVID-19 related rent discount and deferral of the escalation of lease payments and has applied the practical expedients allowed under PFRS 16, *Leases*, introduced in May 2020 in accounting for the rent concessions. Consequently, the BPI Group recognized the following amounts for the years ended December 31:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Rent concession (included in "Other operating income")	**1**	1	**1**	1

Critical accounting judgment - Determining the lease term

In determining the lease term, the BPI Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Critical accounting judgment - Determining the incremental borrowing rate

To determine the incremental borrowing rate, each entity within the BPI Group:
- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing; and
- makes adjustments specific to the lease (e.g. term, currency and security).

The BPI Group's weighted average incremental borrowing rates applied to the lease liabilities ranged from 2.00% to 7.40% (2022 - 4.10% to 6.83%). The rates were determined in reference to the borrowing rates arising from the most recent debt issuances of the Parent Bank.

21 Operating expenses

(a) Compensation and fringe benefits

Details of the account for the years ended December 31:

		Consolidated			Parent		
		2023	2022	2021	**2023**	2022	2021
				(In Millions of Pesos)			
Salaries and wages		**18,600**	16,024	15,050	**16,320**	14,236	11,461
Retirement expense	23	**1,232**	1,438	1,443	**1,148**	1,379	1,135
Other employee benefit expenses		**3,389**	2,066	2,035	**2,842**	1,792	1,498
		23,221	19,528	18,528	**20,310**	17,407	14,094

Other employee benefit expenses pertain to employee incentives like HMO coverage and SSS premiums.

(b) Other operating expenses

Details of the account for the years ended December 31:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
			(In Millions of Pesos)			
Insurance	**5,204**	4,768	4,188	**5,140**	4,711	3,090
Advertising	**4,124**	2,393	970	**4,020**	2,259	920
Travel and communication	**1,575**	1,194	1,123	**1,414**	1,069	950
Supervision and examination fees	**963**	873	843	**783**	695	593
Management and other professional fees	**730**	651	337	**673**	572	254
Litigation expenses	**477**	349	373	**468**	345	101
Office supplies	**428**	358	343	**363**	305	254
Taxes and licenses	**224**	1,214	1,285	**165**	1,147	996
Amortization expense	**18**	172	135	**1**	3	-
Shared expenses	**-**	-	-	**-**	-	53
Others	**10,134**	7,729	6,598	**9,115**	7,089	5,009
	23,877	19,701	16,195	**22,142**	18,195	12,220

Insurance expense comprise mainly of premium payments made to PDIC and other product-related insurance costs.

Other expenses mainly include fees and incentives paid to agents, outsourcing fees, freight charges and other business expense such as those incurred in staff meetings, donations, periodicals and magazines.

22 Income taxes

The reconciliation between the income tax expense at the statutory tax rate and the effective income tax for the years ended December 31 is shown below:

	Consolidated					
	2023		2022		2021	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	**16,303**	**25.00**	12,842	25.00	8,384	25.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**(392)**	**(0.60)**	(723)	(1.41)	39	0.12
Tax-exempt income	**(1,134)**	**(1.74)**	(1,318)	(2.56)	(1,780)	(5.31)
Others, net	**(1,478)**	**(2.27)**	731	1.42	2,784	8.30
Effective income tax	**13,299**	**20.39**	11,532	22.45	9,427	28.11

	Parent					
	2023		2022		2021	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	**15,559**	**25.00**	11,821	25.00	7,465	25.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**(446)**	**(0.72)**	(77)	(0.17)	91	0.30
Tax-exempt income	**(1,872)**	**(3.01)**	(1,506)	(3.18)	(933)	(3.12)
Others, net	**(1,060)**	**(1.70)**	45	0.10	453	1.52
Effective income tax	**12,181**	**19.57**	10,283	21.75	7,076	23.70

The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) bill which provides for lower corporate income tax rates and rationalizes fiscal incentives had been signed into law by the President of the Philippines in 2021 but with an effective date of July 1, 2020. As a result of the CREATE law, the BPI Group recognized an adjustment in 2021 pertaining to the December 31, 2020 balances which resulted in a decrease of P819 million in current income tax expense and an increase of P2,718 million in deferred income tax expense using the weighted average effective annual income tax rate of 27.5%. The Parent Bank likewise recognized a decrease of P724 million in current income tax expense and an increase of P1,976 million in deferred income tax expense, respectively.

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. Those who elect to retire prior to the normal retirement age will require company approval, subject to meeting the eligibility conditions on age and years of credited services. Normal retirement benefit consists of a lump sum benefit equivalent to 200% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered at least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service and cash equivalent of the accrued and unused vacation and sick leave, if any subject to the BPI Group's implementing guidelines and policies. For voluntary retirement, the benefit is equivalent to 112.50% of the employee's basic monthly salary for a minimum of 10 years of service with the rate factor progressing to a maximum of 200% of basic monthly salary for service years of 25 or more. Death or disability benefit, on the other hand, shall be the highest amount among the (1) same basis as in voluntary retirement; (2) 100% of basic monthly salary of the employee at the time of his retirement for each year of service; and (3) minimum amount required by Labor Code.

The net defined benefit cost and contributions to be paid by the entities within the BPI Group are determined by an independent actuary.

Non-life insurance subsidiary

BPI/MS Insurance Corporation has a separate trusteed defined benefit plan. Under the plan, the normal retirement age is 60 years. Normal retirement benefit consists of a lump sum benefit equivalent to 175% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered as least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service. Death or disability benefit for all employees of the non-life insurance subsidiary shall be determined on the same basis as in normal or voluntary retirement as the case may be.

Following are the amounts recognized based on recent actuarial valuation exercise:

(a) Pension liability as at December 31 recognized in the statement of condition:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Present value of defined benefit obligation	**18,632**	15,600	**18,098**	15,296
Fair value of plan assets	**(14,103)**	(12,876)	**(13,722)**	(12,515)
Pension liability recognized in the statement of condition	**4,529**	2,724	**4,376**	2,781
Effect of asset ceiling	**12**	24	**-**	-
	4,541	2,748	**4,376**	2,781

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	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**12,876**	9,999	**12,515**	8,504
Contributions	**2,251**	4,182	**2,229**	3,733
Interest income	**886**	473	**860**	401
Benefit payments	**(1,032)**	(834)	**(1,030)**	(776)
Remeasurement - return on plan assets	**(878)**	(944)	**(852)**	(804)
Transfer to the plan	**-**	-	**-**	1,457
At December 31	**14,103**	12,876	**13,722**	12,515

The carrying values of the plan assets represent their fair value as at December 31, 2023 and 2022.

The merger between the Parent Bank and BFB became effective on January 1, 2022 (Note 30.1), accordingly, the plan assets of BFB were transferred to the Parent Bank.

The plan assets are comprised of the following:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Debt securities	**8,517**	6,759	**8,287**	6,569
Equity securities	**4,307**	4,852	**4,191**	4,716
Others	**1,279**	1,265	**1,244**	1,230
	14,103	12,876	**13,722**	12,515

The plan assets of the unified retirement plan include investment in BPI's common shares with aggregate fair value of P2,413 million at December 31, 2023 (2022 - P489 million). An officer of the Parent Bank exercises the voting rights over the plan's investment in BPI's common shares.

Others include cash and cash equivalents and other receivables.

The movements in the present value of defined benefit obligation are summarized as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**15,600**	15,580	**15,296**	13,361
Interest cost	**1,115**	768	**1,088**	659
Current service cost	**757**	782	**730**	656
Remeasurement - changes in financial assumptions	**1,013**	(1,428)	**980**	(1,223)
Remeasurement - experience adjustment	**1,512**	543	**1,416**	919
Remeasurement - changes in demographic assumption	**(332)**	-	**(306)**	-
Benefit payments	**(1,033)**	(834)	**(1,030)**	(776)
Past service cost - plan amendment	**-**	189	**-**	163
Transfer to the plan	**-**	-	**(76)**	1,537
At December 31	**18,632**	15,600	**18,098**	15,296

The BPI Group has no other transactions with the plan other than the regular funding contributions presented above for the years ended December 31, 2023 and 2022.

(b) Expense recognized in the statement of income for the years ended December 31 are as follows:

	Consolidated			Parent		
	2023	2022	2021	**2023**	2022	2021
	(In Millions of Pesos)					
Current service cost	**757**	782	853	**730**	656	703
Net interest cost	**229**	295	298	**228**	258	256
	986	1,077	1,151	**958**	914	959

The principal assumptions used for the actuarial valuations of the unified plan are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Discount rate	**6.03%**	7.15%	**6.03%**	7.15%
Future salary increases	**6.00%**	6.00%	**6.00%**	6.00%

Assumptions regarding future mortality and disability experience are based on published statistics generally used for local actuarial valuation purposes.

The defined benefit plan typically exposes the BPI Group to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the BPI Group. However, the BPI Group believes that due to the long-term nature of the pension liability and the strength of the BPI Group itself, the mix of debt and equity securities holdings of the plan is an appropriate element of the BPI Group's long-term strategy to manage the plan efficiently.

The BPI Group ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The BPI Group's main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the trustor, as necessary to better ensure the appropriate asset-liability matching.

The BPI Group contributes to the plan depending on the suggested funding contribution as calculated by an independent actuary engaged by management. The expected contributions for the year ending December 31, 2024 for the BPI Group and the Parent Bank amount to P1,273 billion and P1,217 billion, respectively (2022 - P987 million and P964 million, respectively). The weighted average duration of the defined benefit obligation under the BPI unified retirement plan as at December 31, 2023 is 5.09 years (2022 - 7.32 years).

The projected maturity analysis of retirement benefit payments as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Up to one year	**3,347**	1,661	**3,260**	1,647
More than 1 year to 5 years	**3,095**	3,327	**2,980**	3,272
More than 5 years to 10 years	**2,649**	9,955	**2,566**	9,729
More than 10 years to 15 years	**2,783**	10,850	**2,627**	10,644
More than 15 years to 20 years	**2,661**	6,550	**2,573**	6,321
Over 20 years	**23,833**	21,648	**22,364**	20,612

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as at December 31 follows:

Consolidated

2023

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.90%	Increase by 5.30%
Salary growth rate	1.00%	Increase by 5.20%	Decrease by 4.90%

2022

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 6.80%	Increase by 7.80%
Salary growth rate	1.00%	Increase by 7.80%	Decrease by 7.00%

Parent

2023

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.90%	Increase by 5.30%
Salary growth rate	1.00%	Increase by 5.20%	Decrease by 4.90%

2022

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 6.80%	Increase by 7.70%
Salary growth rate	1.00%	Increase by 7.70%	Decrease by 6.90%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the statement of condition.

b) Defined contribution retirement plan subject to the requirements of Republic Act (RA) No. 7641

All non-unionized employees hired on or after the January 1, 2016 are automatically under the new defined contribution plan. Employees hired prior to the effective date shall have the option to elect to become members of the new defined contribution plan.

Upon normal or late retirement, employees are entitled to a lump sum benefit equal to the total of the following amounts:

- The greater of the (a) updated member account balance where the company periodically contributes 8% of the basic monthly salary and (b) the minimum legal retirement benefit under the Labor Code; and
- The updated member account balance funded by (a) voluntary employee contribution and (b) employer matching contribution; and
- Cash equivalent of the accrued and unused vacation and sick leave, if any.

The defined contribution retirement plan has a defined benefit minimum guarantee equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, the liability for the defined benefit minimum guarantee is actuarially calculated similar to the defined benefit plan.

The funding status of the defined contribution plan as at December 31 is shown below:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Fair value of plan assets	**2,261**	1,961	**1,898**	1,684
Present value of defined benefit obligation	**(595)**	(889)	**(531)**	(767)
	1,666	1,072	**1,367**	917
Effect of asset ceiling	**1,666**	1,072	**1,367**	917
	-	-	**-**	-

The movements in the present value of the defined benefit obligation follow:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**889**	760	**767**	563
Interest cost	**66**	37	**56**	28
Current service cost	**120**	122	**95**	84
Benefit payments	**(184)**	(147)	**(156)**	(128)
Remeasurement - changes in financial assumptions	**54**	(212)	**45**	(161)
Remeasurement - experience adjustment	**369**	282	**336**	284
Remeasurement - changes in demographic assumptions	**(719)**	-	**(601)**	-
Past service cost - plan amendment	**-**	47	**-**	36
Transfer to the plan	**-**	-	**(11)**	61
At December 31	**595**	889	**531**	767

The movements in the fair value of plan assets follow:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
At January 1	**1,961**	1,981	**1,684**	1,474
Contribution paid by employer	**332**	176	**270**	121
Interest income	**145**	100	**124**	74
Benefit payments	**(184)**	(147)	**(156)**	(128)
Remeasurement - return on plan assets	**7**	(149)	**(24)**	108
Transfer to the plan	**-**	-	**-**	35
At December 31	**2,261**	1,961	**1,898**	1,684

Total retirement expense for the year ended December 31, 2023 under the defined contribution plan for the BPI Group and Parent Bank amounts to P119 million (2022 - P210 million) and P94 million (2022 - P170 million), respectively.

The components of plan assets of the defined contribution as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Debt securities	**619**	554	**520**	476
Equity securities	**1,495**	1,302	**1,255**	1,118
Others	**147**	105	**123**	90
	2,261	1,961	**1,898**	1,684

The weighted average duration of the defined contribution retirement plan for the BPI Group and Parent Bank is 8.17 years (2022 - 15.46 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, 2023 and 2022 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.

24 Asset management business

At December 31, 2023, the total trust and fund assets under management of the BPI Group through BPI Wealth amounts to P1,223 billion (2022 - P875 billion).

As required by the General Banking Act, BPI Wealth has deposited government securities with the BSP valued at P990 million (2022 - P673 million).

25 Related party transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its DOSRI (Directors, Officers, Stockholders, and Related Interests), Subsidiaries and Affiliates including Other Related Parties. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group), on an arm's length basis. AC is a significant stockholder of BPI as at reporting date.

The Parent Bank has a Board-level Related Party Transactions Committee (RPTC) that vets and endorses all significant related party transactions which exceed the Parent Bank's set materiality threshold, including those involving DOSRI, for which the latter shall require final BOD approval. The RPTC consists of three directors, majority of whom are independent directors including the Chairman, and two resource persons from management's control groups, namely, the Chief Audit Executive and the Chief Compliance Officer. Those related party transactions involving amounts below the materiality threshold, the Management Vetting Committee (MVC), which is composed of the Parent Bank's Executive Vice Presidents, the Bank's Chief Finance Officer, and the Bank's Treasurer, shall have the authority to vet these transactions. In case any of the vetting committees has conflict of interest, be it actual or perceived, in a particular related party transaction, he or she is required to inhibit from the vetting and endorsement of the particular RPT.

Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties and/or to similar transactions in the market. Any deviation or amendment from previously vetted terms and conditions shall require appropriate RPT vetting and approval.

To ensure that related party transactions are within prudent levels, the Parent Bank's BOD shall prescribe, from time to time, internal limits or sub-limits for individual and aggregate credit exposures to related parties that are consistent with the Parent Bank's risk appetite and regulatory guidelines. The limits shall be computed and based on the Parent Bank's prescribed capital metrics.

The RPTC shall report to the BOD, on a regular basis, the status and aggregate credit exposures of the Parent Bank to each related party as well as the total amount of credit exposure to all related parties.

A summary of significant related party transactions and outstanding balances as at and for the years ended December 31 is shown below (transactions with subsidiaries have been eliminated in the consolidated financial statements):

Consolidated

	2023		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	**71**	**113**	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.45% to 7.58% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Ayala Group	**(3,087)**	**61,567**	
Other related parties	**-**	**-**	
	(3,016)	**61,680**	
Deposits from:			
Associates	**912**	**1,949**	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.70% Savings - 0.08% to 0.10% Time - 4.35% to 5.38% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	**(2,239)**	**687**	
Key management personnel	**958**	**1,215**	
	(369)	**3,851**	

	2022		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	(18)	42	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.95% to 6.09% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(541)	64,654	
Other related parties	(546)	-	
	(1,105)	64,696	
Deposits from:			
Associates	(236)	1,037	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.80% Savings - 0.09% to 0.10% Time - 1.71% to 4.17% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(8,475)	2,926	
Key management personnel	(727)	257	
	(9,438)	4,220	

	2021		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Associates	(449)	60	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.50% to 9.63% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(35,474)	65,195	
Other related parties	546	546	
	(35,377)	65,801	
Deposits from:			
Associates	(4)	1,273	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.07% to 0.14% Savings - 0.10% to 0.24% Time - 1.73% to 2.00% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(7,349)	11,401	
Key management personnel	200	984	
	(7,153)	13,658	

Parent

	2023		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	**53**	**87**	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.22% to 7.23% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Associates	**71**	**113**	
Ayala Group	**(3,087)**	**61,567**	
Other related parties	**-**	**-**	
	(2,963)	**61,767**	
Deposits from:			
Subsidiaries	**442**	**6,365**	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.80% Savings - 0.09% to 0.09% Time - 4.35% to 5.35% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	**912**	**1,949**	
Ayala Group	**(2,239)**	**687**	
Key management personnel	**936**	**1,191**	
	51	**10,192**	

	2022		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	34	34	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.95% to 6.09% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(18)	42	
Ayala Group	(541)	64,654	
Other related parties	(546)	-	
	(1,071)	64,730	
Deposits from:			
Subsidiaries	(5,408)	5,923	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.80% Savings - 0.09% to 0.10% Time - 1.71% to 4.17% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	(234)	1,037	
Ayala Group	(7,203)	2,926	
Key management personnel	(692)	255	
	(13,537)	10,141	

	2021		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	-	-	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.50% to 4.56% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(449)	60	
Ayala Group	(13,474)	65,195	
Other related parties	546	546	
	(13,377)	65,801	
Deposits from:			
Subsidiaries	3,399	11,331	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.07% to 0.14% Savings - 0.10% to 0.22% Time - 0.79% to 1.04% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	17	1,271	
Ayala Group	(6,721)	10,129	
Key management personnel	219	947	
	(3,086)	23,678	

The aggregate amounts included in the determination of income before income tax (after elimination) that resulted from transactions with each class of related parties are as follows:

Consolidated	**2023**	2022	2021
	(In Millions of Pesos)		
Interest income			
Associates	**8**	-	11
Ayala Group	**2,297**	1,724	2,782
Other related parties	**-**	-	21
	2,305	1,724	2,814
Other income			
Associates	**327**	1,771	312
Ayala Group	**935**	833	2,470
	1,262	2,604	2,782
Interest expense			
Associates	**18**	1	1
Ayala Group	**4**	29	18
Key management personnel	**14**	1	2
	36	31	21
Other expenses			
Associates	**191**	389	-
Ayala Group	**799**	1,769	1,112
	990	2,158	1,112
Retirement benefits			
Key management personnel	**50**	52	46
Salaries, allowances and other short-term benefits			
Key management personnel	**1,477**	831	829
Directors' remuneration	**113**	157	119

Parent	2023	2022	2021
	(In Millions of Pesos)		
Interest income			
Subsidiaries	**19**	5	5
Associates	**8**	-	11
Ayala Group	**2,297**	1,724	2,782
Other related parties	**-**	-	21
	2,324	1,729	2,819
Other income			
Subsidiaries	**209**	733	1,630
Associates	**139**	1,771	312
Ayala Group	**935**	648	1,645
	1,283	3,152	3,587
Interest expense			
Subsidiaries	**19**	5	5
Associates	**18**	1	1
Ayala Group	**4**	29	13
Key management personnel	**14**	1	1
	55	36	20
Other expenses			
Subsidiaries	**127**	817	10
Associates	**-**	282	-
Ayala Group	**799**	1,744	867
	926	2,843	877
Retirement benefits			
Key management personnel	**48**	51	41
Salaries, allowances and other short-term benefits			
Key management personnel	**1,433**	796	746
Directors' remuneration	**88**	131	86

Other income mainly consists of revenue from service arrangements with related parties in which the related outstanding balance is included under accounts receivable. Other expenses pertain to shared costs with related parties and the related outstanding balance is recognized as accounts payable.

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Outstanding DOSRI loans	**18,701**	19,571	**18,701**	19,571

As at December 31, 2023, allowance for credit losses amounting to P247 million (2022 - P589 million) have been recognized against receivables from related parties.

26 Financial risk management

The BOD carries out its risk management function through the Risk Management Committee (RMC). The RMC is tasked with nurturing a culture of risk management across the BPI Group. The RMC sets the risk appetite; proposes and approves risk management policies, frameworks, and guidelines; and regularly reviews risk management structures, metrics, limits, and issues across the BPI Group, in order to meet and comply with regulatory and international standards on risk measurement and management.

At the management level, the Risk Management Office (RMO) is headed by the Chief Risk Officer (CRO). The CRO is ultimately responsible in leading the formulation of risk management policies and methodologies in alignment with the overall business strategy of BPI, ensuring that risks are prudently and rationally undertaken and within its risk appetite, as well as commensurate and disciplined to maximize returns on shareholders' capital. Risk management is carried out by a dedicated team of skilled risk managers and senior officers who have extensive prior operational experience. BPI's risk managers regularly monitor key risk indicators and report exposures against carefully established financial and business risk metrics and limits approved by the RMC.

Finally, independent reviews are regularly conducted by the Internal Audit group, external auditors, and regulatory examiners to ensure that risk controls and mitigants are in place and functioning effectively as intended.

The possibility of incurring losses is, however, compensated by the possibility of earning more than expected income. Risk-taking is, therefore, not entirely negative to be avoided. Risk-taking actions present opportunities if risks are fully identified and accounted, deliberately taken, and are kept within prudent and rationalized limits.

Credit risk, liquidity risk and market risk, as well as operational and cyber security risks are some of the top risks that the BPI Group manages.

26.1 Credit risk

The BPI Group takes on exposure to credit risk, which is the risk that may arise if a borrower or counterparty fails to meet its obligations in accordance with agreed repayment terms. Credit risk is the single largest risk for the BPI Group's business; management therefore carefully manages its exposure to credit risk as governed by prudent credit policies, standards and methodologies, relevant regulatory requirements, and international benchmarks.

Loans and advances are the most evident source of credit risks; however, other sources of credit risk exist throughout the activities of the BPI Group, including in credit-related activities recorded in the banking books, investment securities in the trading books and off-balance sheet transactions.

26.1.1 Credit risk management

The Credit Policy and Risk Management (CPRM) division is responsible for the overall management of the BPI Group's credit risks. CPRM supports the Senior Management in coordination with various business lending and operations units in identifying, measuring, reporting, and managing credit risk.

The BPI Group employs a range of policies and practices to mitigate credit risks. The BPI Group monitors its loan and investment portfolios based on different segmentations to reflect the acceptable level of diversification and concentration. Concentration risk in credit portfolios is inherent in banking and cannot be eliminated. However, said risk may be reduced by adopting proper risk controls, mitigation, and diversification strategies to prevent undue credit risk concentrations from excessive exposures to counterparties, borrower-groups, industries, countries or regions.

The BPI Group structures the levels of credit risks it undertakes by placing limits or monitoring thresholds on the amount of risks accepted in relation to one borrower, or group of borrowers, industry segments, and countries or regions. Such risks are monitored on a regular basis and subjected to annual or more frequent review, when deemed necessary. Limits on large exposures and credit concentration are approved by the BOD through the RMC.

The exposure to any borrower may also be further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against risk limits are monitored regularly. Methodologies for measuring credit risk vary depending on several factors, including type of asset, borrower or counterparties' risk profiles, risk measurement parameters and risk management and collection processes. Credit risk measurement is based on the probability of default (PD) of an obligor or counterparty, the loss severity given a default (LGD) event and the exposure at default (EAD).

A rigorous control framework is applied in the determination of expected credit loss (ECL) models. The BPI Group has policies and procedures that govern the calculation of ECL, which is performed by the Credit Risk Modeling, Analytics and MIS (CRMA-MIS) division. All ECL models are regularly reviewed by the Risk Management Office to ensure that necessary controls are in place and the models are applied accordingly.

The review and validation of ECL models are performed by groups that are independent of CRMA-MIS, e.g., Risk Models Validation Division, Internal Auditors, and/or external assurance partners. Expert judgments on measurement methodologies and assumptions are reviewed by a group of internal experts from various functions across the Parent Bank.

Credit loss estimates are based on estimates of the PD and loss severity given a default. The PD is the likelihood that a borrower will default on its obligation; the LGD is the estimated loss that would be realized upon the default and takes into consideration collateral and structural support for each credit facility. The estimation process includes assigning risk ratings to each borrower and credit facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by RMO and revised as needed to reflect the borrower's current financial position, risk profile, related collateral or credit enhancements, and other credit risk mitigants. The calculations and assumptions are based on both internal and external historical experience and management judgment and are reviewed regularly.

The BPI Group's forward-looking, point-in-time PD models are driven by internal forecasts of macroeconomic variables (MEVs) over the next five years. These models were previously recalibrated annually, but in view of the COVID-19 pandemic, more frequent review and update of these models were conducted starting April 2020 as MEV forecasts were revised quarterly in response to changing macroeconomic conditions. Furthermore, the pandemic was expected to significantly increase foreclosures and dampen demand for auto and real estate collaterals and thus decrease market prices, so appropriate haircuts were applied on estimated recoveries from collaterals.

The BPI Group also manages counterparty credit risk arising from both pre-settlement and settlement risks. Pre-settlement risk is the risk that a counterparty will default prior to the final settlement/maturity of a transaction, while settlement risk pertains to the risk that a counterparty fails to deliver on settlement/maturity date when the Bank has already delivered on its contractual obligations. In managing counterparty risks, pre-settlement and settlement risk limits are established and exposures are monitored daily for each counterparty to cover the aggregate of pre-settlement and settlement risks arising from transactions with the BPI Group. The BPI Group also employs various tools and methods including use of delivery versus payment settlement, payment versus payment settlement, use of collateral agreements, and other acceptable credit risk mitigation techniques to further manage counterparty credit risk.

The BPI Group employs specific control and risk mitigation measures, some of which are outlined below:

(a) Collateral or guarantees

One of the most traditional and common practice in mitigating credit risks is requiring collaterals and/or securities particularly for loans and advances. The BPI Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The BPI Group assesses the valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The common collateral types for loans and advances are:

- Mortgages over physical properties (e.g., real estate and personal);
- Mortgages over financial assets [e.g., guarantees, investments (bonds or equities)]; and
- Margin agreement for derivatives, for which the BPI Group has also entered into master netting agreements.

In order to minimize credit loss, the BPI Group seeks additional collateral and/or securities from the counterparty when impairment indicators are observed for the relevant individual loans and advances.

The BPI Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collaterals held by the BPI Group since the prior period.

(b) Market Limits

The BPI Group maintains market limits on net open derivative positions (i.e., the difference between purchase and sale contracts). Credit risk is limited to the net current fair value of instruments, which in relation to derivatives is only a portion of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall 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 master netting arrangements with certain counterparties with which it undertakes significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts (asset position) is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The BPI Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(d) Credit-related commitments

Documentary and commercial letters of credit - which are written undertakings by the BPI Group on behalf of a customer authorizing a third party to draw drafts on the BPI Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods and therefore carry less risk than a direct loan.

26.1.2 Credit risk rating

The BPI Group uses internal credit risk gradings that reflect its assessment of the PD of individual counterparties. The BPI Group uses its internal credit risk rating system, credit models (e.g. credit risk scorecards) or external ratings from reputable credit rating agencies. Specific data about the borrower and loan are collected at the time of application and credit evaluation (such as financial and business information, source of incomes/revenues, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) and are used in the internal credit scoring models. In addition, the internal models allow expert judgment from the Credit Risk Rating Committee and consideration of other data inputs not captured into the model in the determination of the final internal credit score for each borrower.

The BPI Group has adopted an internal credit classification system that is aligned with regulatory guidelines and aims to identify deteriorating credit exposures on a timely basis. Exposures are classified into each of the following categories:

- *Standard monitoring* - This category includes accounts which do not have a greater-than-normal risk and do not possess the characteristics of special monitoring and defaulted loans. The borrower or counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated.

- *Special monitoring* - This category includes accounts which need closer and frequent monitoring to prevent any further credit deterioration. The counterparty is assessed to be vulnerable to highly vulnerable and its capacity to meet its financial obligations is dependent upon favorable business, financial, and economic conditions.

- *Default* - This category includes accounts which exhibit probable to severe weaknesses wherein probability of non-repayment of loan obligation is ranging from high to extremely high.

i. Corporate (including cross-border loans, contracts-to-sell/group plans with recourse, floorstock lines) and Small and Medium-sized Enterprise (SME) loans

The BPI Group's internal credit risk rating system comprises a 22-scale rating with eighteen (18) 'pass' rating levels for large corporate accounts, a 14-scale rating system with ten (10) 'pass' rating grades for SME accounts, and a 23-scale rating with nineteen (19) 'pass' rating levels for cross-border accounts. For cross-border accounts, the BPI Group also uses available external/benchmark credit ratings issued by reputable rating agencies if there is no internal rating. The level of risk and associated PD are determined using either the internal credit risk ratings or external/benchmark credit ratings, as applicable, for corporate loans.

The BPI Group uses the following set of classifications:

Classifications	Large corporate	SME	Cross-Border
Standard monitoring	AAA to B-, unrated, and ≤ 30 days past due (dpd)	AAA to B-, unrated, and ≤ 30 dpd	AAA to B- with no significant increase in credit risk (SICR), and ≤ 30 dpd
Special monitoring	CCC to C or based on prescribed dpd threshold	CCC to C or based on prescribed dpd threshold	Downgraded to lower than BB+ with SICR but not impaired, or based on prescribed dpd threshold
Default	Adversely classified accounts (ACA) or >90 dpd or Items in Litigation (IL)	ACA or >90 dpd or IL	Default/ACA with objective evidence of impairment, or > 90 dpd

ii. Retail loans

The BPI Group uses automated credit scoring models to assess the level of risk for retail accounts. Behavioral indicators are considered in conjunction with other forward-looking information (e.g., industry forecast) to assess the level of risk of a loan. After the date of initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score which is mapped to a PD.

In 2023, the BPI Group updated the default definition for SEME loan portfolio from 7 days to 10 days in line with the amended cure period from 7 days to 10 days in 2022 as a result of the Cure Period Analysis study conducted by the BPI Group's Enterprise Risk Stress Testing Department of the RMO, taking into account the changes in the BPI Group's collection activities and impact of the Coronavirus pandemic to the borrowers.

Classifications	Credit cards	Personal, auto and housing	SEME*
Standard monitoring	≤ 29 dpd	≤ 30 dpd	≤ 10 dpd
Special monitoring	30 to 89 dpd	31 to 90 dpd or based on prescribed dpd threshold	Not applicable
Default	>89 dpd or IL	>90 dpd or IL	>10 dpd

**Self-employed micro-entrepreneurs*

iii. Treasury and other investment debt securities

Investments in high grade securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements. The level of credit risk for treasury and other investment debt securities and their associated PD are determined using either internal ratings or reputable external ratings and/or available and reliable qualitative and quantitative information. In the absence of both internal and external credit ratings, a comparable issuer or guarantor rating is used. Should there be a change in the credit rating of the chosen comparable, evaluation is made to ascertain whether the rating change is applicable to the security being assessed for impairment.

Classifications	Applicable ratings
Standard monitoring	AAA to B- with no SICR
Special monitoring	Downgraded to lower than BB+ with SICR but not impaired
Default	Default, with objective evidence of impairment

iv. Other financial assets at amortized cost

For other financial assets (non-credit receivables), the BPI Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss methodology. These financial assets are grouped based on shared risk characteristics and aging profile. For some of these, impairment is assessed individually at a counterparty level.

26.1.3 Maximum exposure to credit risk

26.1.3.1 Loans and advances, net

Credit risk exposures relating to on-balance sheet loans and advances are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Corporate and SME loans, net	**1,482,335**	1,372,660	**1,478,037**	1,366,793
Retail loans, net	**399,672**	330,330	**371,803**	313,891
	1,882,007	1,702,990	**1,849,840**	1,680,684

The carrying amount of loans and advances above also represents the BPI Group's maximum exposure to credit risk. The following tables contain an analysis of the credit risk exposure of each financial instrument for which an ECL allowance is recognized.

Credit quality of loans and advances, net

Consolidated

Corporate and SME loans

	2023				2022			
	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	1,152,071	1,865	-	**1,153,936**	1,171,215	52,183	-	1,223,398
Special monitoring	129,537	199,296	-	**328,833**	78,737	79,040	-	157,777
Default	-	-	38,812	**38,812**	-	-	35,167	35,167
Gross amount	1,281,608	201,161	38,812	**1,521,581**	1,249,952	131,223	35,167	1,416,342
Loss allowance	(10,596)	(3,483)	(25,167)	**(39,246)**	(9,855)	(1,444)	(32,383)	(43,682)
Carrying amount	1,271,012	197,678	13,645	**1,482,335**	1,240,097	129,779	2,784	1,372,660

Retail loans

	2023				2022			
	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	373,296	16,217	3	**389,516**	308,616	13,005	-	321,621
Special monitoring	525	8,705	-	**9,230**	401	6,333	-	6,734
Default	-	-	19,154	**19,154**	-	-	16,060	16,060
Gross amount	373,821	24,922	19,157	**417,900**	309,017	19,338	16,060	344,415
Loss allowance	(4,890)	(3,242)	(10,096)	**(18,228)**	(4,045)	(2,195)	(7,845)	(14,085)
Carrying amount	368,931	21,680	9,061	**399,672**	304,972	17,143	8,215	330,330

Parent

Corporate and SME loans

	2023				2022			
	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	1,147,940	1,865	-	**1,149,805**	1,165,519	52,183	-	1,217,702
Special monitoring	129,537	199,296	-	**328,833**	78,737	79,040	-	157,777
Default	-	-	38,813	**38,813**	-	-	35,117	35,117
Gross amount	1,277,477	201,161	38,813	**1,517,451**	1,244,256	131,223	35,117	1,410,596
Loss allowance	(10,767)	(3,483)	(25,164)	**(39,414)**	(10,026)	(1,444)	(32,333)	(43,803)
Carrying amount	1,266,710	197,678	13,649	**1,478,037**	1,234,230	129,779	2,784	1,366,793

Retail loans

	2023				2022			
	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	345,864	16,160	3	**362,027**	292,362	12,940	-	305,302
Special monitoring	524	8,286	-	**8,810**	401	6,162	-	6,563
Default	-	-	16,601	**16,601**	-	-	14,254	14,254
Gross amount	346,388	24,446	16,604	**387,438**	292,763	19,102	14,254	326,119
Loss allowance	(4,135)	(3,229)	(8,271)	**(15,635)**	(3,509)	(2,188)	(6,531)	(12,228)
Carrying amount	342,253	21,217	8,333	**371,803**	289,254	16,914	7,723	313,891

The tables below present the gross amount of "Stage 2" loans and advances by age category.

Consolidated

	2023			2022		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	200,390	12,072	**212,462**	130,601	9,721	140,322
Past due up to 30 days	389	4,544	**4,933**	520	3,618	4,138
Past due 31 - 90 days	382	8,306	**8,688**	102	5,999	6,101
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	201,161	24,922	**226,083**	131,223	19,338	150,561

Parent

	2023			2022		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	200,390	12,033	**212,423**	130,601	9,671	140,272
Past due up to 30 days	389	4,522	**4,911**	520	3,596	4,116
Past due 31 - 90 days	382	7,891	**8,273**	102	5,835	5,937
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	201,161	24,446	**225,607**	131,223	19,102	150,325

26.1.3.2 Treasury and other investment securities, net

Credit risk exposures arising from treasury and other investment securities are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Due from BSP	**199,619**	182,869	**192,246**	178,534
Due from other banks	**36,292**	45,190	**33,081**	43,096
Interbank loans receivable and SPAR, net	**20,643**	12,382	**17,342**	11,631
Financial assets at FVTPL	**23,543**	21,941	**17,456**	16,941
Financial assets at FVOCI	**215,780**	92,447	**212,442**	90,477
Investment securities at amortized cost, net	**382,711**	420,533	**377,120**	415,035
	878,588	775,362	**849,687**	755,714

Credit quality of treasury and other investment securities, net

Consolidated

	2023				2022			
	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	199,619	-	-	**199,619**	182,869	-	-	182,869
Due from other banks	36,292	-	-	**36,292**	45,190	-	-	45,190
Interbank loans receivable and SPAR	20,645	-	-	**20,645**	12,382	-	-	12,382
Financial assets at FVTPL	23,543	-	-	**23,543**	21,941	-	-	21,941
Financial assets at FVOCI	215,438	342	-	**215,780**	92,040	407	-	92,447
Investment securities at amortized cost	381,811	931	-	**382,742**	419,614	930	-	420,544
Default								
Interbank loans receivable and SPAR	-	-	41	**41**	-	-	40	40
Gross carrying amount	**877,348**	**1,273**	**41**	**878,662**	774,036	1,337	40	775,413
Loss allowance	(33)	-	(41)	**(74)**	(1)	(10)	(40)	(51)
Carrying amount	**877,315**	**1,273**	**-**	**878,588**	774,035	1,327	-	775,362

Parent

	2023				2022			
	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	192,246	-	-	**192,246**	178,534	-	-	178,534
Due from other banks	33,081	-	-	**33,081**	43,096	-	-	43,096
Interbank loans receivable and SPAR	17,344	-	-	**17,344**	11,631	-	-	11,631
Financial assets at FVTPL	17,456	-	-	**17,456**	16,941	-	-	16,941
Financial assets at FVOCI	212,100	342	-	**212,442**	90,070	407	-	90,477
Investment securities at amortized cost	376,220	931	-	**377,151**	414,116	930	-	415,046
Default								
Interbank loans receivable and SPAR	-	-	41	**41**	-	-	40	40
Gross carrying amount	**848,447**	**1,273**	**41**	**849,761**	754,388	1,337	40	755,765
Loss allowance	(33)	-	(41)	**(74)**	(1)	(10)	(40)	(51)
Carrying amount	**848,414**	**1,273**	**-**	**849,687**	754,387	1,327	-	755,714

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	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Accounts receivable, net	**1,242**	1,346	**2,758**	1,791
Rental deposits	**828**	825	**781**	782
Other accrued interest and fees receivable	**76**	64	**9**	10
Others	**377**	216	**358**	212
	2,523	2,451	**3,906**	2,795

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

	2023				2022			
	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	542,193	1,749	-	**543,942**	1,087,193	1,280	-	1,088,473
Special monitoring	16,241	-	-	**16,241**	111,801	-	-	111,801
Default	-	-	543	**543**	-	-	579	579
Gross amount	558,434	1,749	543	**560,726**	1,198,994	1,280	579	1,200,853
Loss allowance*	(1,067)	(94)	(71)	**(1,232)**	(924)	(56)	(54)	(1,034)
Carrying amount	557,367	1,655	472	**559,494**	1,198,070	1,224	525	1,199,819

**Included in "Miscellaneous liabilities" in Note 17*

Parent

	2023				2022			
	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	542,193	1,749	-	**543,942**	1,087,193	1,280	-	1,088,473
Special monitoring	16,241	-	-	**16,241**	111,801	-	-	111,801
Default	-	-	543	**543**	-	-	579	579
Gross amount	558,434	1,749	543	**560,726**	1,198,994	1,280	579	1,200,853
Loss allowance*	(1,067)	(94)	(71)	**(1,232)**	(924)	(56)	(54)	(1,034)
Carrying amount	557,367	1,655	472	**559,494**	1,198,070	1,224	525	1,199,819

**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

	2023			2022		
	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	38,812	25,167	13,645	35,167	32,383	2,784
Retail loans	19,157	10,096	9,061	16,060	7,845	8,215
Total credit-impaired assets	**57,969**	**35,263**	**22,706**	51,227	40,228	10,999
Fair value of collateral	**21,713**			35,970		

Parent

	2023			2022		
	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	38,813	25,164	13,649	35,117	32,333	2,784
Retail loans	16,604	8,271	8,333	14,254	6,531	7,723
Total credit-impaired assets	**55,417**	**33,435**	**21,982**	49,371	38,864	10,507
Fair value of collateral	**27,654**			35,856		

The BPI Group acquires assets by taking possession of collaterals held as security for loans and advances.

As at December 31, 2023, the BPI Group's foreclosed collaterals have carrying amount of P4,743 million (2022 - P3,760 million). The related foreclosed collaterals have aggregate fair value of P14,424 million (2022 - P12,607 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 statement of condition. In 2023, the Parent Bank realized a gain of P83 million (2022 - P81 million loss) from disposals of foreclosed collaterals with book value of P2,149 million (2022 - P1,731 million).

26.1.5 Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent transfer between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the year and releases for financial instruments derecognized during the year;
- Write-offs of allowances related to assets that were written off during the year;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs during the year;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange translations for assets denominated in foreign currencies and other movements.

The following tables summarize the changes in the loss allowance for loans and advances between the beginning and the end of the annual period. No movement analysis of allowance for impairment is presented for treasury and other investment debt securities and other financial assets subject to impairment as the related loss allowance is deemed insignificant for financial reporting purposes.

Consolidated

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	9,855	1,444	32,383	**43,682**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,237)	2,435	2,597	**2,795**
Transfer from Stage 2	26	(211)	143	**(42)**
Transfer from Stage 3	-	-	(106)	**(106)**
New financial assets originated	3,727	-	-	**3,727**
Financial assets derecognized during the year	(872)	(426)	(1,596)	**(2,894)**
Changes in assumptions and other movements in provision	102	243	(7,564)	**(7,219)**
	746	2,041	(6,526)	**(3,739)**
Write-offs and other movements	(5)	(2)	(690)	**(697)**
Loss allowance, at December 31, 2023	**10,596**	**3,483**	**25,167**	**39,246**

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	4,045	2,195	7,845	**14,085**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,839)	2,348	4,569	**5,078**
Transfer from Stage 2	116	(1,198)	1,573	**491**
Transfer from Stage 3	6	40	(266)	**(220)**
New financial assets originated	2,744	-	-	**2,744**
Financial assets derecognized during the year	(395)	(107)	(502)	**(1,004)**
Changes in assumptions and other movements in provision	222	(32)	400	**590**
	854	1,051	5,774	**7,679**
Write-offs and other movements	(9)	(4)	(3,523)	**(3,536)**
Loss allowance, at December 31, 2023	**4,890**	**3,242**	**10,096**	**18,228**

Parent

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	10,026	1,444	32,333	**43,803**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,237)	2,435	2,597	**2,795**
Transfer from Stage 2	26	(211)	143	**(42)**
Transfer from Stage 3	-	-	(106)	**(106)**
New financial assets originated	3,727	-	-	**3,727**
Financial assets derecognized during the year	(872)	(426)	(1,596)	**(2,894)**
Changes in assumptions and other movements in provision	102	243	(7,567)	**(7,222)**
	746	2,041	(6,529)	**(3,742)**
Write-offs and other movements	(5)	(2)	(640)	**(647)**
Loss allowance, at December 31, 2023	**10,767**	**3,483**	**25,164**	**39,414**

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	**Total**
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	3,509	2,188	6,531	**12,228**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,049)	2,337	3,315	**4,603**
Transfer from Stage 2	116	(1,152)	1,489	**453**
Transfer from Stage 3	6	40	(252)	**(206)**
New financial assets originated	1,525	-	-	**1,525**
Financial assets derecognized during the year	(112)	(106)	(415)	**(633)**
Changes in assumptions and other movements in provision	142	(74)	96	**164**
	628	1,045	4,233	**5,906**
Write-offs and other movements	(2)	(4)	(2,493)	**(2,499)**
Loss allowance, at December 31, 2023	**4,135**	**3,229**	**8,271**	**15,635**

Consolidated

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
		(In Millions of Pesos)		
Loss allowance, at January 1, 2022	11,318	2,728	23,865	37,911
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,555)	723	1,256	424
Transfer from Stage 2	21	(817)	165	(631)
Transfer from Stage 3	1	5	(49)	(43)
New financial assets originated	2,640	-	-	2,640
Financial assets derecognized during the year	(1,353)	(843)	(2,708)	(4,904)
Changes in assumptions and other movements in provision	(1,105)	(356)	10,153	8,692
	(1,351)	(1,288)	8,817	6,178
Write-offs and other movements	(112)	4	(299)	(407)
Loss allowance, at December 31, 2022	9,855	1,444	32,383	43,682

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Loss allowance, at January 1, 2022	4,967	1,970	8,916	15,853
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,233)	1,381	2,565	2,713
Transfer from Stage 2	113	(1,324)	1,338	127
Transfer from Stage 3	13	66	(440)	(361)
New financial assets originated	1,669	-	-	1,669
Financial assets derecognized during the year	(519)	(124)	(729)	(1,372)
Changes in assumptions and other movements in provision	(960)	228	(7)	(739)
	(917)	227	2,727	2,037
Write-offs and other movements	(5)	(2)	(3,798)	(3,805)
Loss allowance, at December 31, 2022	4,045	2,195	7,845	14,085

Parent

Corporate and SME loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Loss allowance, at January 1, 2022	10,689	2,709	21,866	35,264
Impact of merger	806	19	1,941	2,766
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,555)	723	1,256	424
Transfer from Stage 2	21	(817)	165	(631)
Transfer from Stage 3	1	5	(49)	(43)
New financial assets originated	2,640	-	-	2,640
Financial assets derecognized during the year	(1,353)	(843)	(2,708)	(4,904)
Changes in assumptions and other movements in provision	(1,110)	(356)	10,152	8,686
	(1,356)	(1,288)	8,816	6,172
Write-offs and other movements	(113)	4	(290)	(399)
Loss allowance, at December 31, 2022	10,026	1,444	32,333	43,803

Retail loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Loss allowance, at January 1, 2022	1,057	920	3,623	5,600
Impact of merger	3,500	1,040	3,869	8,409
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(838)	1,376	1,905	2,443
Transfer from Stage 2	112	(1,291)	1,292	113
Transfer from Stage 3	11	66	(423)	(346)
New financial assets originated	955	-	-	955
Financial assets derecognized during the year	(280)	(123)	(625)	(1,028)
Changes in assumptions and other movements in provision	(1,007)	202	8	(797)
	(1,047)	230	2,157	1,340
Write-offs and other movements	(1)	(2)	(3,118)	(3,121)
Loss allowance, at December 31, 2022	3,509	2,188	6,531	12,228

Critical accounting estimate and judgment - Measurement of expected credit loss for loans and advances

The measurement of the expected credit loss (ECL) for loans and advances is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). The explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 31.3.2.2.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for SICR;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

Forward-looking information incorporated in the ECL models

Three distinct macroeconomic scenarios (baseline, upside and downside) are considered in the BPI Group's estimation of expected credit losses in Stage 1 and Stage 2. These scenarios are based on assumptions supported by economic theories and historical experience. The downside scenario reflects a negative macroeconomic event occurring within the first 12 months, with conditions deteriorating for up to two years, followed by a recovery for the remainder of the period. This scenario is grounded in historical experience and assumes a monetary policy response that returns the economy to a long-run, sustainable growth rate within the forecast period. The probability of each scenario is determined using expert judgment and recession probability tools provided by reputable external service providers. The baseline case incorporates the BPI Group's outlook both for the domestic and global economy. The upside and downside scenarios take into account certain adjustments that will lead to a more positive or negative economic outcome, respectively.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any climate, regulatory, legislative or political changes is likewise considered as post-model adjustments, if material.

The BPI Group has performed historical analyses and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The most significant period-end assumptions used for the ECL estimate are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

At December 31, 2023

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	6.2	6.3	7.3	7.9	1.9	1.0
Inflation rate (%)	3.7	2.8	3.4	2.1	6.5	9.2
BVAL 5Y (%)	6.1	5.3	4.9	3.4	7.8	10.1
US Treasury 5Y (%)	4.6	4.0	3.5	2.1	6.4	8.8
Exchange rate	54.325	57.325	53.459	55.648	55.648	67.662

At December 31, 2022

	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 (%)	5.5	5.1	6.7	6.8	4.3	3.4
Inflation rate (%)	3.9	2.8	2.9	1.5	5.0	4.0
BVAL 5Y (%)	7.3	5.8	5.1	3.2	9.4	8.4
US Treasury 5Y (%)	5.5	4.2	3.4	1.5	7.6	6.8
Exchange rate	56.725	56.552	56.379	53.158	57.071	60.148

Sensitivity analysis

The loan portfolios have different sensitivities to movements in MEVs, so the above three scenarios have varying impact on the expected credit losses of the BPI Group's portfolios. The allowance for impairment is calculated as the weighted average of expected credit losses under the baseline, upside and downside scenarios. The impact of weighting these multiple scenarios was an increase in the allowance for impairment by P247 million as at December 31, 2023 from the baseline scenario (2022 - P15 million).

Transfers between stages

Transfers from Stage 1 and Stage 2 are based on the assessment of SICR from initial recognition. The impact of moving from 12 month expected credit losses to lifetime expected credit losses, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in expected credit losses. Assuming all Stage 2 accounts are considered as Stage 1, allowance for impairment would have decreased by P2,626 million as at December 31, 2023
(2022 - P1,059 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, 2023)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	**Total**
					(In Millions of Pesos)				
Financial and insurance activities	199,619	36,292	20,686	7,415	26,354	15,988	188,185	-	**494,539**
Real estate activities	-	-	-	-	438	3,061	448,479	-	**451,978**
Manufacturing	-	-	-	261	4,260	5,204	300,056	-	**309,781**
Consumer	-	-	-	-	-	-	221,824	-	**221,824**
Transportation, storage and communications	-	-	-	-	1,915	12,453	219,845	-	**234,213**
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	-	1,455	6,433	217,264	-	**225,152**
Electricity, gas, steam and air-conditioning supply	-	-	-	18	537	30,803	177,949	-	**209,307**
Others	-	-	-	15,849	180,821	308,800	165,879	3,438	**674,787**
Allowance	-	-	(43)	-	-	(31)	(57,474)	(915)	**(58,463)**
At December 31, 2023	**199,619**	**36,292**	**20,643**	**23,543**	**215,780**	**382,711**	**1,882,007**	**2,523**	**2,763,118**

Consolidated (December 31, 2022)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
						(In Millions of Pesos)			
Financial and insurance activities	182,869	45,190	12,422	11,145	1,822	18,090	163,038	-	434,576
Real estate activities	-	-	-	2	407	3,955	404,678	-	409,042
Manufacturing	-	-	-	221	2,331	4,525	288,524	-	295,601
Consumer	-	-	-	-	-	-	162,155	-	162,155
Transportation, storage and communications	-	-	-	-	829	11,210	193,222	-	205,261
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	8	699	5,637	191,816	-	198,160
Electricity, gas, steam and air-conditioning supply	-	-	-	17	32	32,263	208,671	-	240,983
Others	-	-	-	10,548	86,327	344,864	148,653	3,402	593,794
Allowance	-	-	(40)	-	-	(11)	(57,767)	(951)	(58,769)
At December 31, 2022	182,869	45,190	12,382	21,941	92,447	420,533	1,702,990	2,451	2,480,803

Parent Bank (December 31, 2023)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	**Total**
						(In Millions of Pesos)			
Financial and insurance activities	192,246	33,081	17,385	3,335	26,073	15,264	187,619	-	**475,531**
Real estate activities	-	-	-	31	438	3,061	447,244	-	**450,743**
Manufacturing	-	-	-	85	4,260	4,452	299,068	-	**307,780**
Consumer	-	-	-	-	-	-	202,241	-	**202,241**
Transportation, storage and communications	-	-	-	64	1,915	11,073	218,718	-	**231,706**
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	1	1,455	5,489	209,654	-	**216,598**
Electricity, gas, steam and air-conditioning supply	-	-	-	135	537	29,677	177,890	-	**208,121**
Others	-	-	-	13,805	177,764	308,135	162,455	4,742	**666,672**
Allowance	-	-	(43)	-	-	(31)	(55,049)	(836)	**(55,959)**
At December 31, 2023	**192,246**	**33,081**	**17,342**	**17,456**	**212,442**	**377,120**	**1,849,840**	**3,906**	**2,703,433**

Parent Bank (December 31, 2022)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
					(In Millions of Pesos)				
Financial and insurance activities	178,534	43,096	11,671	7,570	1,822	18,090	162,971	-	423,754
Real estate activities	-	-	-	2	407	3,955	403,380	-	407,744
Manufacturing	-	-	-	221	2,202	4,525	286,928	-	293,876
Consumer	-	-	-	-	-	-	151,910	-	151,910
Transportation, storage and communications	-	-	-	-	829	11,210	191,819	-	203,858
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	8	699	5,637	186,567	-	192,911
Electricity, gas, steam and air-conditioning supply	-	-	-	17	32	32,263	208,636	-	240,948
Others	-	-	-	9,123	84,486	339,366	144,504	3,703	581,182
Allowance	-	-	(40)	-	-	(11)	(56,031)	(908)	(56,990)
At December 31, 2022	178,534	43,096	11,631	16,941	90,477	415,035	1,680,684	2,795	2,439,193

26.1.7 Provision for (reversal of) credit and impairment losses

The BPI Group's provision for (reversal of) credit and impairment losses are attributable to the following accounts:

		Consolidated			Parent		
	Notes	**2023**	2022	2021	**2023**	2022	2021
				(In Millions of Pesos)			
Loans and advances	10	**3,940**	8,215	12,765	**2,164**	7,512	10,226
Assets held for sale		**(222)**	411	44	**(223)**	396	20
Interbank loans receivable and SPAR	5	**3**	(6)	5	**3**	(6)	5
Investment securities at amortized cost	9	**20**	5	(7)	**20**	5	(7)
Undrawn loan commitments	32	**198**	287	(212)	**198**	287	(199)
Impairment on equity investment	12	**-**	-	-	**-**	-	60
Accounts receivable	14	**34**	172	83	**12**	160	215
Other assets		**27**	83	457	**28**	83	271
		4,000	9,167	13,135	**2,202**	8,437	10,591

26.2 Market risk

The BPI Group is exposed to market risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk management in BPI covers managing exposures to trading risk, foreign exchange risk, and interest rate risk in the banking book.

Market risk management is incumbent on the BOD through the RMC. At the management level, the BPI Group's market risk exposures are managed by the RMO, headed by the Parent Bank's CRO who reports directly to the RMC. In order to effectively manage market risk, the Bank has well established policies and procedures approved by the RMC and confirmed by the Executive Committee/BOD. In addition, the Internal Audit is responsible for the independent review of risk assessment measures and procedures and the control environment.

The BPI Group reviews and controls market risk exposures of both its trading and non-trading portfolios. Trading portfolios include those positions arising from BPI's market-making and risk-taking activities. The BPI Group also has derivatives exposures in interest rate swaps, currency swaps and structured notes as part of its trading and position taking activities. Non-trading portfolios include positions arising from core banking activities, which includes the BPI Group's retail and commercial banking assets and liabilities.

Value-at-Risk (VaR) measurement is an integral part of the BPI Group's market risk control system. This metric 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. To ensure model soundness, the VaR is periodically subject to model validation and back testing. VaR is supplemented by other risk metrics and measurements that would provide preliminary signals to Treasury and to Management to assess the vulnerability of BPI Group's positions. To control the risk, the RMC sets risk limits for trading portfolios which are consistent with the BPI Group's goals, objectives, risk appetite, and strategies.

Stress tests indicate the potential losses that could arise in extreme conditions that would have detrimental effect to the BPI Group's positions. The BPI Group periodically performs price stress testing to assess the BPI Group's condition on assumed stress scenarios. Contingency plans are frequently reviewed to ensure the BPI Group's preparedness in the event of real stress. Results of stress tests are reviewed by Senior Management and by the RMC.

The average daily VaR for the trading portfolios are as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Local fixed-income	**50**	28	**47**	27
Foreign fixed-income	**184**	89	**173**	81
Foreign exchange	**214**	131	**118**	48
Derivatives	**158**	180	**158**	115
Equity securities	**14**	24	**-**	-
Mutual fund	**18**	31	**-**	-
	638	483	**496**	271

26.2.1 Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates. It arises on financial instruments that are denominated in a foreign currency other than the functional currency which they are measured.

The BPI Group takes on exposure to the effects of fluctuations in the prevailing exchange rates on its foreign currency financial position and cash flows. The table below summarizes the BPI Group's exposure to more material foreign currency exchange rate risk primarily in USD, shown in their Peso equivalent at December 31:

Consolidated

	2023			2022		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	3,196	344	**3,540**	2,886	385	3,271
Due from other banks	16,038	12,530	**28,568**	27,638	16,993	44,631
Interbank loans receivable and SPAR	2,287	32	**2,319**	4,553	524	5,077
Financial assets at FVTPL	12,745	455	**13,200**	6,537	1,111	7,648
Financial assets at FVOCI - debt securities	51,353	1,143	**52,496**	23,336	1,083	24,419
Investment securities at amortized cost	138,928	1,768	**140,696**	141,692	2,597	144,289
Loans and advances, net	115,324	5,284	**120,608**	139,617	6,171	145,788
Others financial assets	22,429	1	**22,430**	35,983	1	35,984
Total financial assets	362,300	21,557	**383,857**	382,242	28,865	411,107
Financial liabilities						
Deposit liabilities	271,646	17,685	**289,331**	269,677	37,096	306,773
Due to BSP and other banks	1,149	-	**1,149**	2,284	-	2,284
Derivative financial liabilities	1,568	449	**2,017**	2,109	928	3,037
Bills payable	53,497	-	**53,497**	67,158	-	67,158
Manager's checks and demand drafts outstanding	209	1	**210**	210	8	218
Accounts payable	475	3	**478**	346	2	348
Other financial liabilities	712	1	**713**	121	2	123
Total financial liabilities	329,256	18,139	**347,395**	341,905	38,036	379,941
Net on-balance sheet position	33,044	3,418	**36,462**	40,337	(9,171)	31,166

**Others category includes financial instruments denominated in JPY, EUR and GBP.*

Parent Bank

	2023			2022		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	3,195	344	**3,539**	2,886	385	3,271
Due from other banks	15,701	12,510	**28,211**	27,330	16,975	44,305
Interbank loans receivable and SPAR	2,214	-	**2,214**	4,460	-	4,460
Financial assets at FVTPL	11,661	385	**12,046**	6,107	910	7,017
Financial assets at FVOCI - debt securities	50,898	1,143	**52,041**	22,792	1,066	23,858
Investment securities at amortized cost	134,797	303	**135,100**	137,606	1,180	138,786
Loans and advances, net	111,902	659	**112,561**	134,884	5,212	140,096
Others financial assets	22,429	-	**22,429**	35,982	-	35,982
Total financial assets	352,797	15,344	**368,141**	372,047	25,728	397,775
Financial liabilities						
Deposit liabilities	270,759	17,566	**288,325**	268,592	36,978	305,570
Due to BSP and other banks	1,149	-	**1,149**	2,209	-	2,209
Derivative financial liabilities	1,520	449	**1,969**	2,090	928	3,018
Bills payable	50,119	-	**50,119**	62,656	-	62,656
Manager's checks and demand drafts outstanding	209	1	**210**	210	8	218
Accounts payable	208	3	**211**	346	2	348
Other financial liabilities	712	-	**712**	121	2	123
Total financial liabilities	324,676	18,019	**342,695**	336,224	37,918	374,142
Net on-balance sheet position	28,121	(2,675)	**25,446**	35,823	(12,190)	23,633

**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)	
2023	**+/-1.42%**	**+/- 469**	**+/- 399**
2022	+/-4.82%	+/- 1,948	+/- 1,727

26.2.2 Interest rate risk

Interest rate risk is the risk that cash flows or fair value of a financial instrument will fluctuate due to movements in market interest rates.

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is the current and prospective risk to the BPI Group's capital and earnings arising from the adverse movements in interest rates that affect its banking book positions (core banking activities). The BPI Group is exposed to interest rate risk arising from financial assets and liabilities that have different maturities and repricing schedules and are re-priced taking into account the prevailing market interest rates. Excessive levels of interest rate risks in the banking book can pose a significant threat to the BPI Group's earnings and capital base.

The BPI Group employs two methods to measure the potential impact of interest rate risk in the banking book: (i) one that focuses on the impact on economic value of the future cash flows in the banking book due to changes in interest rates - Balance Sheet VaR (BSVaR), and (ii) one that focuses on the potential deterioration in net interest earnings - Earnings-at-Risk (EaR). The RMC sets limits on the two interest rate risk metrics which are monitored daily by the Market and Liquidity Risk Management Division of the RMO. The EaR and BSVaR are built on the interest rate/repricing gap profile of the bank.

The interest rate gap is the difference between the amount of interest rate sensitive assets and liabilities and off-balance sheet items. It distributes the balance sheet accounts according to their contractual maturity if fixed, or repricing date if floating. For accounts that do not have defined maturity or repricing schedules (i.e., non-maturity deposits), and accounts with embedded optionality (i.e., time deposit pretermination, fixed-rate loan prepayment), historical patterns/behaviors are utilized and assessed to determine their expected repricing schedules. These behavioral assumptions are derived from historical customer behavior and are regularly back tested to ensure accuracy and propriety of these assumptions. Interest rate derivatives are used to hedge banking book interest rate exposures, and these are also included in the repricing gap analysis. There were no outstanding interest rate hedges as at December 31, 2023 and 2022.

Earnings-at-Risk (EaR)

The EaR is built on the repricing profile of the BPI Group and considers principal payments only. The BPI Group projects interest inflows from its financial assets and interest outflows from its financial liabilities in the next 12 to 36 months as earnings are affected when interest rates move against the BPI Group's position. In determining the appropriate rate shocks in calculating EaR, the daily year-on-year change in rates is determined using the parametric approach at 99% confidence level. The Parent Bank uses more than ten years' worth of data in deriving the rate shocks. As at December 31, 2023, the net interest income impact of movement in interest rates resulted in an increase of P275 million (2022 - P1,199 million decrease) for the whole BPI Group and an increase of P329 million (2022 - P1,195 million decrease) for the Parent Bank over a short-term (12-month) horizon. Likewise, the net interest income impact of movement in interest rates over the medium-term (36-month) horizon resulted in an increase of P7,019 million (2022 - P371 million decrease) for the whole BPI Group and an increase of P7,005 million (2022 - P501 million decrease) for the Parent Bank.

Balance Sheet Value at Risk (BSVaR)

The BSVaR model is also built on repricing gap or the difference between the amount of rate-sensitive financial assets and liabilities which considers both principal and interest payments. It measures the deterioration in the economic/present value of the BPI Group's expected net cash flows due to adverse interest rate movements. In determining the appropriate rate shocks in calculating BSVaR, the adverse daily year-on-year change in rates is determined using the historical approach for the past one year at 99% confidence level. As at December 31, 2023, the average monthly BSVaR for the banking book stood at P16,842 million (2022 - P16,861 million) for the whole BPI Group and P15,883 million (2022 - P16,277 million) for the Parent Bank.

The IRRBB levels are closely monitored against RMC-approved limits and results are reported and discussed regularly at the Management level through the Asset and Liability Committee (ALCO) and at the Board level through the RMC. The BPI Group manages interest rate exposures related to its assets and liabilities through a transfer-pricing system administered by Treasury. Investment securities and interest rate derivatives are also used to hedge interest rate risk and manage repricing gaps in the balance sheet.

The BPI Group also conducts price stress tests in the banking book and EaR stress tests utilizing a variety of interest rate shock scenarios to identify the impact of adverse movements in interest rates on the BPI Group's economic value and earnings. The design of the price and EaR stress tests include the following:

- Internal rate shocks scenarios including extreme yet plausible historical stressed events, curve shifting (parallel up/down) and twisting (steepening and flattening yield curves), and forward-looking scenarios; and
- Other rate shocks as prescribed by Basel.

The interest rate shocks applied are calibrated for all major currencies in which the BPI Group has significant positions. The BPI Group also conducts Uniform Stress Testing in accordance with the prescribed scenarios of the BSP.

The results of the stress test are reported to the RMC and Senior Management and are integrated into the overall risk management framework of the BPI Group.

The BPI Group has established comprehensive risk management framework (e.g., policies, procedures, risk limits structures) supported by a robust risk management system. Furthermore, the risk management process, including its various components, is subject to periodic independent review (i.e. internal audit and model validation) and consistently calibrated to ensure accuracy, relevance, propriety and timeliness of data and assumptions employed. The assumptions and parameters used in building these metrics are properly documented. Any changes in the methodology and assumptions used are duly approved by the Chief Risk Officer and noted by the RMC.

The table below summarizes the BPI Group's exposure to interest rate risk, categorized by the earlier of contractual repricing or maturity dates.

Consolidated (December 31, 2023)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	**Total**
			(In Millions of Pesos)		
As at December 31, 2023					
Financial Assets					
Cash and other cash items	-	-	-	34,843	**34,843**
Due from BSP	-	-	-	199,619	**199,619**
Due from other banks	-	-	-	36,292	**36,292**
Interbank loans receivable and SPAR	-	-	-	20,643	**20,643**
Financial assets at FVTPL	150	1,144	1,023	21,226	**23,543**
Financial assets at FVOCI	-	-	-	215,780	**215,780**
Investment securities at amortized cost	-	-	-	382,711	**382,711**
Loans and advances, net	1,096,399	327,690	257,835	200,083	**1,882,007**
Other financial assets	-	-	-	2,523	**2,523**
Total financial assets	1,096,549	328,834	258,858	1,113,720	**2,797,961**
Financial Liabilities					
Deposit liabilities	1,392,507	349,672	552,927	-	**2,295,106**
Due to BSP and other banks	-	-	-	1,881	**1,881**
Derivative financial liabilities	12	822	672	1,315	**2,821**
Bills payable and other borrowed funds	1,661	-	-	135,443	**137,104**
Manager's checks and demand drafts outstanding	-	-	-	8,463	**8,463**
Other financial liabilities	-	-	-	11,316	**11,316**
Total financial liabilities	1,394,180	350,494	553,599	158,418	**2,456,691**
Total interest gap	(297,631)	(21,660)	(294,741)	955,302	**341,270**

Consolidated (December 31, 2022)

	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, 2022					
Financial Assets					
Cash and other cash items	-	-	-	39,613	39,613
Due from BSP	-	-	-	182,869	182,869
Due from other banks	-	-	-	45,190	45,190
Interbank loans receivable and SPAR	-	-	-	12,382	12,382
Financial assets at FVTPL	48	957	2,159	18,777	21,941
Financial assets at FVOCI	-	-	-	92,447	92,447
Investment securities at amortized cost	-	-	-	420,533	420,533
Loans and advances, net	983,901	291,744	292,685	134,660	1,702,990
Other financial assets	-	-	-	2,451	2,451
Total financial assets	983,949	292,701	294,844	948,922	2,520,416
Financial Liabilities					
Deposit liabilities	1,272,993	337,648	485,360	-	2,096,001
Due to BSP and other banks	-	-	-	2,887	2,887
Derivative financial liabilities	28	879	1,154	2,236	4,297
Bills payable and other borrowed funds	2,176	-	-	95,327	97,503
Manager's checks and demand drafts outstanding	-	-	-	6,755	6,755
Other financial liabilities	-	-	-	6,138	6,138
Total financial liabilities	1,275,197	338,527	486,514	113,343	2,213,581
Total interest gap	(291,248)	(45,826)	(191,670)	835,579	306,835

Parent Bank (December 31, 2023)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	**Total**
			(In Millions of Pesos)		
As at December 31, 2023					
Financial Assets					
Cash and other cash items	-	-	-	34,444	**34,444**
Due from BSP	-	-	-	192,246	**192,246**
Due from other banks	-	-	-	33,081	**33,081**
Interbank loans receivable and SPAR	-	-	-	17,342	**17,342**
Financial assets at FVTPL	150	1,144	1,023	15,139	**17,456**
Financial assets at FVOCI	-	-	-	212,442	**212,442**
Investment securities at amortized cost	-	-	-	377,120	**377,120**
Loans and advances, net	1,091,862	327,352	257,263	173,363	**1,849,840**
Other financial assets	-	-	-	3,906	**3,906**
Total financial assets	1,092,012	328,496	258,286	1,059,083	**2,737,877**
Financial Liabilities					
Deposit liabilities	1,368,484	346,892	548,757	-	**2,264,133**
Due to BSP and other banks	-	-	-	1,881	**1,881**
Derivative financial liabilities	12	822	673	1,267	**2,774**
Bills payable and other borrowed funds	-	-	-	133,726	**133,726**
Manager's checks and demand drafts outstanding	-	-	-	8,431	**8,431**
Other financial liabilities	-	-	-	10,721	**10,721**
Total financial liabilities	1,368,496	347,714	549,429	156,026	**2,421,666**
Total interest gap	(276,484)	(19,218)	(291,143)	903,057	**316,211**

Parent Bank (December 31, 2022)

	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, 2022					
Financial Assets					
Cash and other cash items	-	-	-	39,359	39,359
Due from BSP	-	-	-	178,534	178,534
Due from other banks	-	-	-	43,096	43,096
Interbank loans receivable and SPAR	-	-	-	11,631	11,631
Financial assets at FVTPL	48	957	2,159	13,777	16,941
Financial assets at FVOCI	-	-	-	90,477	90,477
Investment securities at amortized cost	-	-	-	415,035	415,035
Loans and advances, net	976,541	291,337	292,618	120,188	1,680,684
Other financial assets	-	-	-	2,794	2,794
Total financial assets	976,589	292,294	294,777	914,891	2,478,551
Financial Liabilities					
Deposit liabilities	1,265,986	335,084	481,514	-	2,082,584
Due to BSP and other banks	-	-	-	2,811	2,811
Derivative financial liabilities	28	879	1,154	2,192	4,253
Bills payable and other borrowed funds	-	-	-	93,002	93,002
Manager's checks and demand drafts outstanding	-	-	-	6,751	6,751
Other financial liabilities	-	-	-	5,542	5,542
Total financial liabilities	1,266,014	335,963	482,668	110,298	2,194,943
Total interest gap	(289,425)	(43,669)	(187,891)	804,593	283,608

26.3 Liquidity risk

Liquidity risk is the risk that the BPI Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The BPI Group's liquidity profile is observed and monitored through its metric, the Minimum Cumulative Liquidity Gap (MCLG). The MCLG is the smallest net cumulative cash inflow (if positive) or the largest net cumulative cash outflow (if negative) over the next three (3) months. The MCLG indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the BPI Group. A red flag is immediately raised and reported to management and the RMC when the MCLG level projected over the next 3 months is about to breach the RMC-prescribed MCLG limit.

26.3.1 Liquidity risk management process

The BPI Group's liquidity management process, as carried out within the BPI Group and monitored by the RMC includes:

- day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as borrowed by customers;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring liquidity gaps and ratios against internal and regulatory requirements;
- managing the concentration and profile of debt maturities; and
- performing periodic liquidity stress testing on the BPI Group's liquidity position by assuming a faster rate of withdrawals in its deposit base.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities (Note 26.3.2) and the expected collection date of the financial assets. Sources of liquidity are regularly reviewed by the BPI Group to maintain a wide diversification by currency, geography, counterparty, product and term.

The BPI Group also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit.

Liquidity Coverage Ratio (LCR)

Pursuant to BSP Circular No. 905 issued in 2016, the Parent Bank is required to hold and maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that are sufficient to meet its estimated total cash outflows over a 30 calendar-day period of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. It is designed to promote short-term resilience of the BPI Group's liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days. HQLA represents the Parent Bank's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid securities. This serves as defense against potential stress events.

The main drivers of the Parent Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits, unsecured borrowings, committed and/or uncommitted facilities, derivatives cash flows and cash inflows from maturing corporate, business and retail loans, among others. Significant portion of funding comes from retail and wholesale deposits, and unsecured wholesale funding. The Parent Bank has derivatives exposures in foreign exchange derivatives and interest rate swaps. Cash outflows from the derivatives contracts are effectively offset by the derivatives cash inflows. These two are accorded 100% outflow and inflow factors, respectively. The exposures coming from derivatives and potential counterparty collateral calls are not significant to impact the LCR, with Parent Bank's Peso and USD LCR both well above the minimum regulatory limit of 100%. There is also no significant currency mismatch noted in the LCR.

The Parent Bank manages its liquidity position through line of business and asset-liability management activities. A centralized approach to funding and liquidity management enhances the Parent Bank's ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events.

Net Stable Funding Ratio (NSFR)

On January 1, 2019, the Parent Bank adopted BSP Circular No. 1007 issued in 2018 regarding the NSFR requirement. The NSFR is aimed at strengthening the Parent Bank's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items as well as to limit the maturity transformation risk of the BPI Group. The NSFR is expressed as the ratio of Available Stable Funding (ASF) and the Required Stable Funding 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**	
	2023	2022	**2023**	2022
Liquidity coverage ratio	**206.67%**	194.52%	**207.35%**	194.37%
Net stable funding ratio	**153.55%**	148.81%	**152.54%**	148.02%
Leverage ratio	**10.95%**	10.71%	**10.38%**	10.08%
Total exposure measure	**2,957,335**	2,669,592	**2,892,222**	2,607,989

The increase in the Parent Bank's LCR was driven by higher HQLA coming from reserves and government securities. Cash, reserves and due from BSP make up 31% (2022 - 33%) of the total stock of HQLA for the year ended December 31, 2023. Likewise, the Parent Bank's NSFR increased driven by higher ASF from deposits and borrowings.

26.3.2 Maturity profile - Non-derivative financial instruments

The tables below present the maturity profile of non-derivative financial instruments based on undiscounted cash flows including future interest which the BPI Group uses to manage the inherent liquidity risk. The maturity analysis is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the financial asset will be realized, or the financial liability will be settled.

Consolidated (December 31, 2023)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	**Total**
		(In Millions of Pesos)		
As at December 31, 2023				
Financial Assets				
Cash and other cash items	34,843	-	-	**34,843**
Due from BSP	199,631	-	-	**199,631**
Due from other banks	36,292	-	-	**36,292**
Interbank loans receivable and SPAR	19,336	1,571	-	**20,907**
Financial assets at FVTPL	6,969	2,334	10,797	**20,100**
Financial assets at FVOCI	51,952	70,326	153,682	**275,960**
Investment securities at amortized cost	82,480	116,931	241,188	**440,599**
Loans and advances	909,354	343,250	740,942	**1,993,546**
Other financial assets	2,523	-	-	**2,523**
Total financial assets	1,343,380	534,412	1,146,609	**3,024,401**
Financial Liabilities				
Deposit liabilities	1,385,666	348,469	543,061	**2,277,196**
Due to BSP and other banks	1,882	-	-	**1,882**
Bills payable and other borrowed funds	69,861	67,243	-	**137,104**
Manager's checks and demand drafts outstanding	8,463	-	-	**8,463**
Lease liabilities	2,144	4,686	3,230	**10,060**
Other financial liabilities	11,316	-	-	**11,316**
Total financial liabilities	1,479,332	420,398	546,291	**2,446,021**
Total maturity gap	(135,952)	114,014	600,318	**578,380**

Consolidated (December 31, 2022)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2022				
Financial Assets				
Cash and other cash items	39,613	-	-	39,613
Due from BSP	182,879	-	-	182,879
Due from other banks	45,190	-	-	45,190
Interbank loans receivable and SPAR	12,353	51	2	12,406
Financial assets at FVTPL	6,145	1,964	6,500	14,609
Financial assets at FVOCI	12,973	57,426	41,665	112,064
Investment securities at amortized cost	62,896	110,946	314,923	488,765
Loans and advances	888,065	435,069	752,413	2,075,547
Other financial assets	2,451	-	-	2,451
Total financial assets	1,252,565	605,456	1,115,503	2,973,524
Financial Liabilities				
Deposit liabilities	1,268,490	332,382	472,451	2,073,323
Due to BSP and other banks	2,887	-	-	2,887
Bills payable and other borrowed funds	52,227	46,191	-	98,418
Manager's checks and demand drafts outstanding	6,755	-	-	6,755
Lease liabilities	1,896	3,852	4,013	9,761
Other financial liabilities	6,138	-	-	6,138
Total financial liabilities	1,338,393	382,425	476,464	2,197,282
Total maturity gap	(85,828)	223,031	639,039	776,242

Parent Bank (December 31, 2023)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	**Total**
		(In Millions of Pesos)		
As at December 31, 2023				
Financial Assets				
Cash and other cash items	34,444	-	-	**34,444**
Due from BSP	192,246	-	-	**192,246**
Due from other banks	33,081	-	-	**33,081**
Interbank loans receivable and SPAR	16,036	1,571	-	**17,607**
Financial assets at FVTPL	4,544	2,116	10,498	**17,158**
Financial assets at FVOCI	50,373	69,399	152,626	**272,398**
Investment securities at amortized cost	81,802	114,845	237,741	**434,388**
Loans and advances	895,784	321,011	736,857	**1,953,652**
Other financial assets	3,906	-	-	**3,906**
Total financial assets	1,312,216	508,942	1,137,722	**2,958,880**
Financial Liabilities				
Deposit liabilities	1,362,155	345,688	538,892	**2,246,735**
Due to BSP and other banks	1,882	-	-	**1,882**
Bills payable and other borrowed funds	67,038	66,688	-	**133,726**
Manager's checks and demand drafts outstanding	8,431	-	-	**8,431**
Lease liabilities	1,977	4,385	3,200	**9,562**
Other financial liabilities	10,721	-	-	**10,721**
Total financial liabilities	1,452,204	416,761	542,092	**2,411,057**
Total maturity gap	(139,988)	92,181	595,630	**547,823**

Parent Bank (December 31, 2022)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2022				
Financial Assets				
Cash and other cash items	39,359	-	-	39,359
Due from BSP	178,538	-	-	178,538
Due from other banks	43,096	-	-	43,096
Interbank loans receivable and SPAR	11,602	51	2	11,655
Financial assets at FVTPL	4,595	1,852	6,500	12,947
Financial assets at FVOCI	11,117	57,220	40,939	109,276
Investment securities at amortized cost	62,648	108,971	310,935	482,554
Loans and advances	871,926	421,804	747,813	2,041,543
Other financial assets	2,794	-	-	2,794
Total financial assets	1,225,675	589,898	1,106,189	2,921,762
Financial Liabilities				
Deposit liabilities	1,144,684	290,277	409,293	1,844,254
Due to BSP and other banks	2,811	-	-	2,811
Bills payable and other borrowed funds	49,937	43,830	-	93,767
Manager's checks and demand drafts outstanding	6,751	-	-	6,751
Lease liabilities	1,722	3,639	3,991	9,352
Other financial liabilities	5,542	-	-	5,542
Total financial liabilities	1,211,447	337,746	413,284	1,962,477
Total maturity gap	14,228	252,152	692,905	959,285

26.3.3 Maturity profile - Derivative instruments

- *Derivatives settled on a net basis*

The BPI Group's derivatives that are settled on a net basis consist of interest rate swaps, non-deliverable forwards and non-deliverable swaps. The table below presents the contractual undiscounted cash flows of interest rate swaps based on the remaining period from December 31 to the contractual maturity dates that are subject to offsetting, enforceable master netting arrangements and similar agreements.

Consolidated and Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023	(In Millions of Pesos)			
Interest rate swap contracts - held for trading				
- Inflow	**150**	**1,144**	**1,023**	**2,317**
- Outflow	**(12)**	**(822)**	**(672)**	**(1,506)**
- Net inflow	**138**	**322**	**351**	**811**
Non-deliverable forwards and swaps - held for trading				
- Inflow	**34**	**-**	**-**	**34**
- Outflow	**(172)**	**-**	**-**	**(172)**
- Net outflow	**(138)**	**-**	**-**	**(138)**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022	(In Millions of Pesos)			
Interest rate swap contracts - held for trading				
- Inflow	48	957	2,159	3,164
- Outflow	(28)	(879)	(1,154)	(2,061)
- Net inflow	20	78	1,005	1,103
Non-deliverable forwards and swaps - held for trading				
- Inflow	123	356	-	479
- Outflow	(147)	-	-	(147)
- Net outflow	(24)	356	-	332

- *Derivatives settled on a gross basis*

The BPI Group's derivatives that are settled on a gross basis include foreign exchange derivatives mainly currency forwards and currency swaps and warrants. The table below presents the contractual undiscounted cash flows of foreign exchange derivatives based on the remaining period from reporting date to the contractual maturity dates.

Consolidated

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023	(In Millions of Pesos)			
Foreign exchange derivatives - held for trading				
- Inflow	**1,273**	**124**	**49**	**1,446**
- Outflow	**(1,097)**	**(36)**	**(9)**	**(1,142)**
- Net inflow	**176**	**88**	**40**	**304**
Warrants				
- Inflow	**-**	**-**	**2**	**2**
- Outflow	**-**	**-**	**-**	**-**
- Net inflow	**-**	**-**	**2**	**2**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022	(In Millions of Pesos)			
Foreign exchange derivatives - held for trading				
- Inflow	3,385	52	55	3,492
- Outflow	(2,025)	(54)	(9)	(2,088)
- Net inflow	1,360	(2)	46	1,404
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023	(In Millions of Pesos)			
Foreign exchange derivatives - held for trading				
- Inflow	**1,272**	**124**	**49**	**1,445**
- Outflow	**(1,050)**	**(36)**	**(9)**	**(1,096)**
- Net inflow	**222**	**88**	**40**	**349**
Warrants				
- Inflow	**-**	**-**	**2**	**2**
- Outflow	**-**	**-**	**-**	**-**
- Net inflow	**-**	**-**	**2**	**2**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	3,282	52	55	3,389
- Outflow	(1,980)	(54)	(9)	(2,043)
- Net inflow	1,302	(2)	46	1,346
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

26.4 Fair value measurement

The following tables present the carrying value of assets and liabilities and the level of fair value hierarchy within which the fair value measurements are categorized:

26.4.1 Assets and liabilities measured at fair value on a recurring or non-recurring basis

Consolidated (December 31, 2023)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	**Total**
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,802	-	3,802	-	**3,802**
Trading assets					
- Debt securities	19,741	19,741	-	-	**19,741**
- Equity securities	111	111	-	-	**111**
Financial assets at FVOCI					
- Debt securities	215,780	215,780	-	-	**215,780**
- Equity securities	2,874	1,266	699	909	**2,874**
	242,308	236,898	4,501	909	**242,308**
Financial liabilities					
Derivative financial liabilities	2,821	-	2,821	-	**2,821**
Non-recurring measurements					
Assets held for sale, net	4,743	-	14,424	-	**14,424**

Consolidated (December 31, 2022)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	7,147	-	7,147	-	7,147
Trading assets					
- Debt securities	14,794	14,794	-	-	14,794
- Equity securities	192	191	1	-	192
Financial assets at FVOCI					
- Debt securities	92,447	92,317	130	-	92,447
- Equity securities	2,820	1,709	346	765	2,820
	117,400	109,011	7,624	765	117,400
Financial liabilities					
Derivative financial liabilities	4,297	-	4,297	-	4,297
Non-recurring measurements					
Assets held for sale, net	3,760	-	12,607	-	12,607

Parent Bank (December 31, 2023)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	**Total**
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,796	-	3,796	-	**3,796**
Trading assets					
- Debt securities	13,660	13,660	-	-	**13,660**
- Equity securities	-	-	-	-	**-**
Financial assets at FVOCI					
- Debt securities	212,442	212,442	-	-	**212,442**
- Equity securities	1,741	1,043	698	-	**1,741**
	231,639	227,145	4,494	-	**231,639**
Financial liabilities					
Derivative financial liabilities	2,774	-	2,774	-	**2,774**
Non-recurring measurements					
Assets held for sale, net	4,646	-	14,092	-	**14,092**

Parent Bank (December 31, 2022)

	Carrying Amount	Fair value Level 1	Level 2	Level 3	Total
Recurring measurements:			(In Millions of Pesos)		
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	7,035	-	7,035	-	7,035
Trading assets					
- Debt securities	9,906	9,906	-	-	9,906
- Equity securities	-	-	-	-	-
Financial assets at FVOCI					
- Debt securities	90,477	90,477	-	-	90,477
- Equity securities	1,676	1,331	345	-	1,676
	109,094	101,714	7,380	-	109,094
Financial liabilities					
Derivative financial liabilities	4,253	-	4,253	-	4,253
Non-recurring measurements					
Assets held for sale, net	3,650	-	12,183	-	12,183

The table below shows the valuation techniques and applicable unobservable inputs used to measure the BPI Group's Level 3 financial instruments (equities classified at FVOCI) as at December 31:

Description	Valuation technique	Unobservable inputs	Amount 2023	2022
Unlisted equity securities	Net asset value; investment multiple	Net asset value; investment multiple	909	765

The investment valuation sensitivity of the underlying portfolio investee company is mainly impacted by the movement in net asset value and investment multiple. At December 31, 2023, if the net asset value and investment had increased/ decreased by 1% with all other variables held constant, net income and equity as at and for the year ended December 31, 2023 would have been P6.82 million (2022 - P5.74 million) higher/lower.

There were no transfers between the fair value hierarchy levels during the years ended December 31, 2023 and 2022.

26.4.2 Fair value disclosures of assets and liabilities not measured at fair value

Consolidated (December 31, 2023)

	Carrying amount	Fair value		
		Level 1	Level 2	**Total**
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	34,843	-	34,843	**34,843**
Due from BSP	199,619	-	199,619	**199,619**
Due from other banks	36,292	-	36,292	**36,292**
Interbank loans receivable and SPAR, net	20,643	-	20,643	**20,643**
Investment securities at amortized cost, net	382,711	364,286	-	**364,286**
Loans and advances, net	1,882,007	-	2,154,136	**2,154,136**
Other financial assets	2,523	-	2,523	**2,523**
Financial liabilities				
Deposit liabilities	2,295,106	-	2,277,196	**2,277,196**
Due to BSP and other banks	1,881	-	1,881	**1,881**
Bills payable and other borrowed funds	137,104	133,726	3,378	**137,104**
Manager's checks and demand drafts outstanding	8,463	-	8,463	**8,463**
Other financial liabilities	11,316	-	11,316	**11,316**
Non-financial assets				
Investment properties	69	-	463	**463**

Consolidated (December 31, 2022)

	Carrying amount	Fair value		
		Level 1	Level 2	Total
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	39,613	-	39,613	39,613
Due from BSP	182,869	-	182,869	182,869
Due from other banks	45,190	-	45,190	45,190
Interbank loans receivable and SPAR, net	12,382	-	12,382	12,382
Investment securities at amortized cost, net	420,533	391,540	-	391,540
Loans and advances, net	1,702,990	-	2,060,167	2,060,167
Other financial assets	2,451	-	2,451	2,451
Financial liabilities				
Deposit liabilities	2,096,001	-	2,073,323	2,073,323
Due to BSP and other banks	2,887	-	2,887	2,887
Bills payable and other borrowed funds	97,503	93,001	4,651	97,652
Manager's checks and demand drafts outstanding	6,755	-	6,755	6,755
Other financial liabilities	6,138	-	6,138	6,138
Non-financial assets				
Investment properties	74	-	248	248

Parent Bank (December 31, 2023)

	Carrying amount	Fair value Level 1	Level 2	**Total**
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	34,444	-	34,444	**34,444**
Due from BSP	192,246	-	192,246	**192,246**
Due from other banks	33,081	-	33,081	**33,081**
Interbank loans receivable and SPAR, net	17,342	-	17,342	**17,342**
Investment securities at amortized cost, net	377,120	359,164	-	**359,164**
Loans and advances, net	1,849,840	-	1,923,161	**1,923,161**
Other financial assets	3,906	-	3,906	**3,906**
Financial liabilities				
Deposit liabilities	2,264,133	-	2,246,735	**2,246,735**
Due to BSP and other banks	1,881	-	1,881	**1,881**
Bills payable and other borrowed funds	133,726	133,726	-	**133,726**
Manager's checks and demand drafts outstanding	8,431	-	8,431	**8,431**
Other financial liabilities	10,721	-	10,721	**10,721**
Non-financial assets				
Investment properties	58	-	463	**463**

Parent Bank (December 31, 2022)

	Carrying amount	Fair value Level 1	Level 2	Total
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	39,359	-	39,359	39,359
Due from BSP	178,534	-	178,534	178,534
Due from other banks	43,096	-	43,096	43,096
Interbank loans receivable and SPAR, net	11,631	-	11,631	11,631
Investment securities at amortized cost, net	415,035	386,717	-	386,717
Loans and advances, net	1,680,684	-	1,656,995	1,656,995
Other financial assets	2,794	-	2,794	2,794
Financial liabilities				
Deposit liabilities	2,082,584	-	1,844,254	1,844,254
Due to BSP and other banks	2,811	-	2,811	2,811
Bills payable and other borrowed funds	93,002	93,002	-	93,002
Manager's checks and demand drafts outstanding	6,751	-	6,751	6,751
Other financial liabilities	5,542	-	5,542	5,542
Non-financial assets				
Investment properties	64	-	227	227

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.

27 Capital management

Capital management is understood to be a facet of risk management. The primary objective of the BPI Group is the generation of recurring acceptable returns to shareholders' capital. To this end, the BPI Group's policies, business strategies and activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its depositors, and to its various funders and stakeholders.

Cognizant of its exposure to risks, the BPI Group maintains sufficient capital to absorb unexpected losses, stay in business for the long haul, and satisfy regulatory requirements. The BPI Group further understands that its performance, as well as the performance of its various units, should be measured in terms of returns generated vis-à-vis allocated capital and the amount of risk borne in the conduct of business.

Effective January 1, 2014, the BSP, through its Circular No. 781, requires each bank and its financial affiliated subsidiaries to adopt new capital requirements in accordance with the provisions of Basel III. The new guidelines are meant to strengthen the composition of the bank's capital by increasing the level of core capital and regulatory capital. The Circular sets out minimum Common Equity (CET1) ratio and Tier 1 Capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed. The minimum required capital adequacy ratio remains at 10% which includes the capital conservation buffer.

Information on the regulatory capital is summarized below:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Tier 1 capital	**355,303**	349,160	**355,255**	349,113
Tier 2 capital	**18,792**	16,929	**18,414**	16,634
Gross qualifying capital	**374,095**	366,089	**373,669**	365,747
Less: Regulatory adjustments/required deductions	**31,359**	63,351	**55,040**	86,177
Total qualifying capital	**342,736**	302,738	**318,629**	279,570
Risk weighted assets	**2,118,317**	1,890,562	**2,058,301**	1,835,412
CAR (%)	**16.18**	16.01	**15.48**	15.23
CET1 (%)	**15.29**	15.12	**14.59**	14.33

The BPI Group has fully complied with the CAR requirement of the BSP.

Likewise, regulatory capital structures of certain subsidiaries on a standalone basis are managed to meet the requirements of the relevant regulatory bodies (i.e. Insurance Commission (IC), SEC, PSE etc.). These subsidiaries have fully complied with the applicable regulatory capital requirements.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Bank is likewise fully compliant with this requirement.

28 Commitments and contingencies

At present, there are lawsuits, claims and tax assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group's financial position or financial performance.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments that are not presented in the financial statements. The BPI Group does not anticipate any material losses from these commitments.

29 Subsequent event

BPI and RBC Merger

As the merger between the Parent Bank and RBC was agreed to be effective on the first day of the calendar quarter following the completion of the regulatory approval, the merger is effective January 1, 2024 (Note 30.3).

In line with this, the Parent Bank issued 314 million common shares on January 1, 2024 bringing the total issued and outstanding shares to 5.36 billion shares.

30 Other disclosures

30.1 BPI and BFB merger

On January 1, 2022, the merger of BPI and BFB, its wholly owned thrift bank subsidiary, officially took effect, with BPI as the surviving entity. The Parent Bank has secured all necessary approvals for the transaction from its regulatory agencies and shareholders.

The integration of both entities will provide considerable advantages to the customers and employees of BPI and BFB, and present potential synergies that will benefit shareholders. The accelerated shift to digital, the focus on operational efficiency and the expected reduction in the gap in regulatory reserve requirements between commercial banks and thrift banks were factors in the timing of the transaction.

Purchase consideration

On January 1, 2022, the Parent Bank issued common shares to BFB amounting to the net assets of the latter as reflected in the standalone financial statements as at December 31, 2020.

The Parent Bank, owning 100% of the shares of BFB, issued treasury shares as a consideration of the merger. The number of treasury shares issued was computed based on the net assets of BFB as of December 31, 2020 over the share price of the Parent Bank as of December 29, 2020. The details are as follows:

	Amount
	(In Thousands of Pesos, except share price and number of treasury shares)
Net assets of BFB as of December 31, 2020	
Total assets	287,090,333
Total liabilities	254,047,648
	33,042,685
Share price of BPI as of December 29, 2020	P81.35
Number of treasury shares issued	406,179,276

These treasury shares are expected to be sold or disposed of by the Parent Bank within six (6) months following the effective date of the merger in accordance with Chapter 3, Section 10 of the General Banking Law of 2000 (Republic Act 8791).

Net assets acquired

Details of BFB assets and liabilities as at acquisition date (January 1, 2022) and December 31, 2020 are as follows:

	January 1, 2022	December 31, 2020
	(In Thousands of Pesos)	
Assets acquired		
Cash and other cash items	982,150	1,004,339
Due from BSP	67,065,132	17,846,031
Due from other banks	10,152,692	4,935,660
Interbank loans receivable and securities purchased under agreements to resell	-	3,631,258
Financial assets at fair value through profit or loss	101,960	-
Financial assets at fair value through other comprehensive income	16,220,549	6,802,621
Investment securities at amortized cost, net	-	24,233,039
Loans and advances, net	228,649,520	219,636,857
Assets held for sale, net	2,639,361	2,452,159
Bank premises, furniture, fixtures and equipment, net	1,713,807	1,791,553
Deferred income tax assets	3,448,694	3,885,474
Other assets, net	686,981	871,342
	331,660,846	287,090,333
Liabilities assumed		
Deposit liabilities	274,766,919	234,582,648
Other borrowed funds	9,583,528	9,544,988
Manager's checks and demand drafts outstanding	1,676,663	1,644,409
Accrued taxes, interest and other expenses	1,698,772	1,734,264
Deferred credits and other liabilities	11,018,995	6,541,339
	298,744,877	254,047,648
Net assets	32,915,969	33,042,685

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill; Other reserves

As the transaction is outside the scope of PFRS 3, *Business Combinations*, the merger was accounted for using the pooling of interests method following the guidance under the PIC Q&A No. 2018-06. In applying the pooling of interests method, all assets and liabilities of BFB are taken into the merged business at their carrying values with no restatement of comparative 2020 figures. Likewise, no goodwill was recognized as a result of a business combination.

The difference between the carrying amount of the net assets acquired and the purchase consideration shall be an addition/deduction to the other reserves balance as follows:

	Amount
	(In Thousands of Pesos)
Purchase price	33,042,685
Carrying amount of net assets acquired	32,915,969
Other reserves (addition to capital funds)	126,716

i. Contingencies and commitments acquired

As a result of the merger, the Parent Bank acquired certain off-balance sheet items pertaining to undrawn loan commitments within the scope of PFRS 9. Details of such liabilities are as follows:

	Amount (In Thousands of Pesos)
Undrawn loan commitments	6,422,982
Loss allowance	(18,984)
Carrying amount	6,403,998

ii. Acquired receivables

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value is as follows:

	Amount (In Thousands of Pesos)
Corporate loans	
Large corporate customers	15,135,453
Small and medium enterprises	17,916,051
Retail loans	
Real estate mortgages	151,807,726
Auto loans	51,177,718
Credit cards	1,922,634
Others	174
	237,959,756
Accrued interest receivable	1,972,675
Unearned discount/income	(107,809)
	239,824,622
Allowance for impairment	(11,175,102)
Net carrying amount	228,649,520
Fair value	292,693,036

The details of the other receivables, net, which form part of Other assets, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount In Thousands of Pesos
Gross carrying amount	256,831
Allowance for impairment	(136,311)
Net carrying amount	120,520
Fair value	120,520

iii. Revenue and profit contribution

In accordance with the Plan of Merger between the Parent Bank and BFB, any net income earned by the latter from January 1, 2021 until the effective date shall be declared and paid as dividends to the Parent Bank. On December 29, 2021, the BOD of BFB declared cash dividends amounting to P3,532 million (P353 per share) out of its unrestricted surplus payable to the Parent Bank as at December 29, 2021. The remaining net income after dividend declaration amounting to P18 million formed part of Other reserves (Note 18) upon effectivity of the merger.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination shall form part of the net cash inflows from investing activities in the statement of cash flows for the period beginning January 1, 2022. The breakdown of cash and cash equivalents acquired are as follows:

	Amount
	(In Thousands of Pesos)
Cash and other cash items	982,150
Due from BSP	67,065,132
Due from other banks	10,152,692
	78,199,974

v. Acquisition-related costs

Acquisition-related costs of P121 million that were not directly attributable to the issue of shares are included in other operating expenses in the statement of income and in operating cash flows in the statement of cash flows for the period beginning January 1, 2021 until effectivity of the merger.

30.2 Regulatory treatment of restructured loans for purposes of measuring expected credit losses

On October 14, 2021, the Monetary Board approved the guidelines on restructured loans under BSP Memorandum No. M-2021-056 which shall be effective until December 31, 2022.

Key points of the issuance include:

- Establishment of prudent criteria in the assessment and modification of terms and conditions of loans.
- Classification under Stage 1, 2, or 3 shall be based on the assessment of the borrowers' financial difficulty and ability to pay based on revised terms.
- Restructured loans should not automatically be considered as credit-impaired warranting classification as non-performing. It will only be classified as such when it falls under Stage 3.
- Monitoring of list of restructured loans including risk classification, staging, and provisioning.

The Bank adopted the BSP guidelines also for prudential reporting purposes of its corporate and business banking loan portfolio beginning January 1, 2022. Following the reprieve requirements, the Bank implemented a process to identify and evaluate accounts that were qualified under the regulations and applied the necessary internal risk controls for qualified exposures from credit evaluation to credit monitoring and risk reporting. As at December 31, 2022, Modified Loans consist 0.01% of total corporate loan portfolio, while Restructured-Modified Loans consist 0.12% of the total corporate loan portfolio. As at December 31, 2022, there are no past due or non-performing loans which availed the reprieve under BSP M-2021-056.

30.3 BPI and RBC merger

On September 30, 2022, the BOD of BPI approved the merger of BPI and RBC, subject to shareholders and regulatory approvals. In exchange, BPI shall issue to the RBC shareholders such number of BPI common shares as would result to the RBC shareholders collectively holding approximately 6% of the resulting outstanding common stock of BPI as of the closing date but in no case more than 314,003,992 shares.

Subsequently, the BOD of BPI in its meeting on December 14, 2022 amended the previous resolution dated September 30, 2022 to increase the number of BPI common shares that may be issued to the RBC shareholders pursuant to the proposed merger from "in no case more than 314,003,992 primary common shares" to "in no case more than 318,912,309 primary common shares."

On January 17, 2023, the shareholders of BPI approved the merger with BPI as the surviving bank. The Philippine Competition Commission approved the merger on March 9, 2023 as contained in the decision released by the Commission on September 13, 2023. On December 14, 2023, the BSP, through Monetary Board Resolution No. 1633 approved the merger. The SEC issued the Certificate of Filing of the Articles and Plan of Merger on December 29, 2023.

The merger will be effective on the first day of the calendar quarter following the completion of the regulatory approvals which is on January 1, 2024 and therefore, the December 31, 2023 and 2022 financial statements of the BPI Group do not include the financial information of RBC.

The merger with RBC will unlock various synergies across several products and service platforms and expand the customer and deposit base of both banks through the merged entity, and, at the same time, by capitalizing on BPI's expertise and network, enhance the overall banking experience of RBC customers. BPI will be able to expand its client base, accelerate growth, and ultimately increase shareholder value through partnerships with the Gokongwei Group.

Purchase consideration

On merger date, the Parent Bank issued common shares to RBC shareholders as consideration of the merger. The fair value of the 314,003,992 shares to be issued is based on the share price on December 31, 2023 of P103.80 per share.

Net assets acquired

Details of RBC assets and liabilities as at acquisition date (January 1, 2024) based on provisional amounts determined by management are as follows:

	Amount
	(In Thousands of Pesos)
Assets acquired	
Cash and other cash items	6,456,997
Due from BSP	12,406,617
Due from other banks	1,707,648
Interbank loans receivable and SPAR	5,491,857
Financial assets at FVTPL	24,191
Financial assets at FVOCI	7,098,491
Investment securities at amortized cost, net	26,391,007
Loans and advances, net	111,444,574
Investments in subsidiary and associates, net	903,663
Bank premises, furniture, fixtures and equipment, net	953,683
Investment properties	2,583,060
Branch licenses	380,510
Deferred tax asset, net	919,713
Other assets, net	2,685,605
Core deposits	6,935,408
Customer relationship	423,690
Trust business	9,684
Deferred tax asset - fair value (FV) adjustments	1,893,968
	188,710,366
Liabilities assumed	
Deposit liabilities	
Demand	27,640,996
Savings	91,837,208
Time	21,156,959
Long-term negotiable certificate of deposits	1,781,750
Derivative financial liabilities	24
Bills payable	14,951,631
Manager’s checks	1,103,883
Accrued taxes, interest and other expenses	1,388,443
Other liabilities	4,137,608
Deferred tax liability - FV adjustments	627,291
	164,625,793
Net assets	24,084,573

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill

The difference between the fair value of the net assets acquired, including intangible assets, and the purchase consideration shall be recognized as goodwill as follows:

	Amount
	(In Thousands of Pesos)
Purchase price	32,593,614
Fair value of net assets acquired	24,084,573
Goodwill	8,509,041

The goodwill is attributable to the workforce and the expected synergies from combining the operations of RBC with BPI. The amount of goodwill will not be deductible for tax purposes.

i. Contingencies and commitments acquired

As a result of the merger, the Parent Bank acquired certain off-balance sheet items as follows:

	Amount
	(In Thousands of Pesos)
Trust accounts*	37,630,184
Derivatives	10,606,025
Commitments	8,143,887
Spot foreign exchange contracts	3,884,410
Performance standby letters of credit	568,597
Financial standby letters of credit	77,065
Guarantees issued	42,424
Commercial letters of credit	36,612
Others	1,805,396
Carrying amount	62,794,600

**The trust accounts will be transferred to BPI Wealth effective January 1, 2024 in accordance with the Assignment Agreement between the Parent Bank and BPI Wealth.*

ii. Acquired receivables

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount
	(In Thousands of Pesos)
Receivables from customers	
Commercial	62,743,614
Real estate	36,235,122
Consumption	11,145,903
Credit cards	1,809,555
Domestic bills purchased	573,816
Other receivables	
Accrued interest receivable	1,433,010
Accounts receivable	1,670,012
Sales contract receivable	321,023
	115,932,055
Unearned interest and discounts	(70,408)
	115,861,647
Allowance for credit losses	(2,993,718)
Net carrying amount	112,867,929
Fair value	111,444,574

iii. Revenue and profit contribution

There is no revenue and profit contribution for the year ended December 31, 2023 as the merger will be effective on January 1, 2024.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination shall form part of the net cash inflows from investing activities in the statement of cash flows for the period beginning January 1, 2024. The breakdown of cash and cash equivalents acquired are as follows:

	Amount (In Thousands of Pesos)
Cash and other cash items	6,456,997
Due from BSP	12,406,617
Due from other banks	1,707,648
	20,571,262

v. Acquisition-related costs

Acquisition-related costs of P179 million that were not directly attributable to the issue of shares are included in other operating expenses in the statement of income and in operating cash flows in the statement of cash flows for the period beginning January 1, 2023 until effectivity of the merger.

31 Summary of material accounting policies

The material information of the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

31.1 Basis of preparation

The financial statements of the BPI Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee and International Financial Reporting Interpretations Committee which have been approved by the Financial and Sustainability Reporting Standards Council (formerly known as Financial Reporting Standards Council) and adopted by the SEC.

As allowed by the SEC, the pre-need subsidiary of the Parent Bank continues to follow the provisions of the Pre-Need Uniform Chart of Accounts (PNUCA) prescribed by the SEC and adopted by the IC.

The financial statements comprise the statements of condition, statements of income and statements of total comprehensive income shown as two statements, statements of changes in capital funds, statements of cash flows and the notes.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL, financial assets at FVOCI, and plan assets of the BPI Group's defined benefit plans.

The preparation of financial statements in conformity with PFRSs 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)
- Useful lives of bank premises, furniture, fixtures and equipment (Note 11)
- Impairment of investments subsidiaries and associates (Note 12)
- Calculation of defined benefit obligation (Note 23)
- Measurement of expected credit losses for loans and advances (Note 26.1.4)

Critical accounting judgments
- Classification of investment securities at amortized cost (Note 9)
- Realization of deferred income tax assets (Note 13)
- Determining the lease term (Note 20)
- Determining the incremental borrowing rate (Note 20)

31.2 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the BPI Group

The BPI Group has adopted the following amendments to existing standards effective January 1, 2023:

- Amendments to PAS1, *'Presentation of Financial Statements'*, and PFRS Practice Statement 2

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support these amendments, PFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The adoption of these amendments resulted to changes in the accounting policies disclosure in Note 31 series.

(b) New standard not yet adopted by the BPI Group

The following new accounting standard is not mandatory for December 31, 2023 reporting period and has not been early adopted by the BPI Group:

- *PFRS 17, 'Insurance Contracts'*

  PFRS 17 was issued in May 2017 as replacement for PFRS 4, Insurance Contracts. 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 statement of income 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 IC, 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 IC, considering the extension of IFRS 17 and the challenges of the COVID-19 pandemic to the insurance industry, has deferred the implementation of PFRS 17 to January 1, 2025, granting an additional two-year period from the date of effectivity proposed by the IASB. The BPI Group is assessing the quantitative impact of PFRS 17 as at reporting date.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2023 that are considered relevant or expected to have a material effect on the financial statement of the BPI Group.

31.3 Financial instruments

31.3.1 Measurement methods

Amortized cost and effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired (see definition on Note 31.3.2.2) at initial recognition - the BPI Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. When the BPI Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the BPI Group commits to purchase or sell the asset.

At initial recognition, the BPI Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, as described in Note 31.3.2.1 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.

31.3.2 Financial assets

31.3.2.1 Classification and subsequent measurement

The BPI Group classifies its financial assets in the following measurement categories: at FVTPL, FVOCI, and at amortized cost. The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on the BPI Group's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the BPI Group classifies its debt instruments into one of the following three measurement categories:

- *Amortized cost*

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. The BPI Group's amortized cost financial assets include cash and other cash items, due from BSP, due from other banks, interbank loans receivables and SPAR, loans and advances, and other financial assets.

- *FVOCI*

  Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statements of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- *FVTPL*

  Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the statements of income within "Securities trading gain" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately.

Business model

The business model reflects how the BPI Group manages the assets in order to generate cash flows. That is, whether the BPI Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified and measured at FVTPL. Factors considered by the BPI Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payment of Principal and Interest

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the BPI Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the BPI Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The BPI Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

The BPI Group subsequently measures all equity investments at FVTPL, except where the BPI Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The BPI Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as 'Other operating income' when the BPI Group's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in the "Securities trading gain" in the statements of income.

31.3.2.2 Impairment of amortized cost and FVOCI financial assets

The BPI Group assesses impairment as follows:

- individually for loans that exceed specified thresholds. Where there is objective evidence of impairment, individually assessed provisions will be recognized; and
- collectively for loans below the specified thresholds noted above or if there is no objective evidence of impairment. These loans are included in a group of loans with similar risk characteristics and collectively assessed for impairment. If there is objective evidence that the group of loans is collectively impaired, collectively assessed provisions will be recognized.

Expected credit losses

The BPI Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The BPI Group recognizes a loss allowance for such losses including post-model adjustments, as applicable, at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the BPI Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The BPI Group determines SICR based on prescribed benchmarks approved by the Board of the Directors.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with PFRS 9 is that it should consider forward-looking information both in the ECL models and post-model adjustments, as applicable.
- POCI financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3). The BPI Group has no POCI as at December 31, 2023 and December 31, 2022.

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Determination of SICR

The BPI Group compares the probabilities of default occurring over its expected life as at the reporting date with the PD occurring over its expected life on the date of initial recognition to determine SICR. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings or credit score or the shift from investment grade category to non-investment grade category;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon the business or economic condition;
- the account has become past due beyond 30 days where an account is classified under special monitoring category (refer to Note 26.1.2 for the description of special monitoring); and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the BPI Group.

Measuring ECL - Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD, defined as follows:

(a) The PD represents the likelihood that the borrower will default (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.

(b) EAD is based on the amounts the BPI Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD). For example, for a revolving commitment, the BPI Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

    The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

    - For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
    - For committed credit lines, the EAD is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default.

(c) LGD represents the BPI Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

    The LGDs are determined based on the factors which impact the recoveries made post-default.

    - For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
    - For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies and historical recoveries.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. These assumptions vary by product type.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change - are monitored and reviewed regularly.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period from the time of the adoption of PFRS 9 on January 1, 2018 to the reporting date.

Forward-looking information incorporated in the ECL models

The BPI Group incorporates historical and current information, and forecasts forward-looking events and key economic variables that are assessed to impact credit risk and expected credit losses for each portfolio. MEVs that affect a specific portfolio's non-performing loan rate(s) are determined through statistical modelling and the application of expert judgment. The BPI Group's economics team establishes possible global and domestic economic scenarios. With the use of economic theories and conventions, expert judgment and external forecasts, the economics team develops assumptions to be used in forecasting variables in the next five (5) years, subsequently reverting to long run-averages. The probability-weighted ECL is calculated by running each scenario through the relevant ECL models and multiplying it by the appropriate scenario weighting.

The estimation and application of forward-looking information requires significant judgment. As with any economic forecasts, the projections and likelihood of occurrences are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The scenarios and their attributes are reassessed at each reporting date. Information regarding the forward-looking economic variables and the relevant sensitivity analysis is disclosed in Note 26.

Financial assets with low credit risk

Loss allowance for financial assets at amortized cost and FVOCI that have low credit risk is limited to 12-month expected credit losses. Management considers "low credit risk" for listed government bonds to be an investment grade credit rating with at least one major rating agency. Other debt instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Definition of default and credit-impaired assets

The BPI Group considers a financial instrument in default or credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the exception of credit cards and micro-finance loans where a borrower is required to be 90 days past due and over 7 days past due, respectively, to be considered in default).

Qualitative criteria

The counterparty is experiencing significant financial difficulty which may lead to non-payment of loan as may be indicated by any or combination of the following events:

- The counterparty is in long-term forbearance;
- The counterparty is insolvent;
- The counterparty is in breach of major financial covenant(s) which lead(s) to event of default;
- An active market for the security has disappeared;
- Granting of concession that would not be otherwise considered due to economic or contractual reasons relating to the counterparty's financial difficulty;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the BPI Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD, and LGD throughout the BPI Group's expected credit loss calculations.

The BPI Group's definition of default is substantially consistent with non-performing loan definition of the BSP. For cross-border, treasury and debt securities, these are classified as defaulted based on combination of BSP and external credit rating agency definitions.

31.3.3 Modification of loans

The BPI Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the BPI Group assesses whether or not the new terms are substantially different to the original terms. The BPI Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the BPI Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the BPI Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in the statements of income as a gain or loss on derecognition.

If the terms are not substantially different, the BPI Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in the statement of income. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

31.3.4 Derecognition of financial assets other than modification

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.

31.3.5 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.

Recoveries on charged-off assets

Collections on accounts or recoveries from impaired financial assets previously written off are recognized in profit or loss under Miscellaneous income in the period where the recovery transaction occurs.

31.3.6 Financial liabilities

31.3.6.1 Classification of financial liabilities

The BPI Group classifies its financial liabilities in the following categories: financial liabilities at FVTPL and financial liabilities at amortized cost.

(a) Financial liabilities at FVTPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the BPI Group as at FVTPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the statements of income and are reported as "Securities trading gain". The BPI Group has no financial liabilities that are designated at fair value through profit loss.

(b) Other liabilities measured at amortized cost

Financial liabilities that are not classified as at FVTPL fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost include deposits from customers and banks, bills payable, amounts due to BSP and other banks, manager's checks and demand drafts outstanding, subordinated notes and other financial liabilities under deferred credits and other liabilities.

31.3.6.2 Subsequent measurement and derecognition

Financial liabilities at FVTPL are subsequently carried at fair value. Other liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired). Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

31.3.7 Loan commitments

Loan commitments are not issued at below-market interest rates and are not settled net in cash or by delivering or issuing another financial instrument.

31.3.8 Derivative financial instruments

A derivative instrument is initially recognized at fair value on the date a derivative contract is entered into, and is subsequently remeasured to its fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument or is held for trading.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting (and therefore, held for trading) are recognized immediately in profit or loss and are included in "Securities trading gain".

31.3.8.1 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 31.3.2 above. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at FVTPL.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statements of income unless the BPI Group chooses to designate the hybrid contracts at FVTPL.

31.3.9 Fair value measurement

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

A subsidiary of the Parent Bank has investments in non-marketable equity securities classified under Level 3 as at December 31, 2023 and 2022 (Note 26.4.1).

31.3.10 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method.

When calculating the effective interest rate, the BPI Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

31.3.11 Cash and cash equivalents

Interbank loans receivable and securities purchased under agreements to resell (SPAR) are presented as cash equivalents if they have a maturity of three months or less and are readily convertible to known amount of cash and which are subject to insignificant changes in value.

31.3.12 Repurchase and reverse repurchase agreements

Securities sold subject to repurchase agreements (‘repos’) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks and customers and included in the statement of condition under “Interbank loans receivable and securities purchased under agreements to resell”. Securities lent to counterparties are also retained in the financial statements.

31.4 Consolidation

The subsidiaries’ financial statements are prepared for the same reporting year as the consolidated financial statements. Refer to Note 1 for the list of the Parent Bank’s subsidiaries.

(a) Subsidiaries

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the BPI Group, except for the pre-need subsidiary which follows the provisions of the PNUCA as allowed by the SEC.

(b) Associates

Associates are all entities over which the BPI Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the consolidated financial statements are accounted for using the equity method of accounting.

The BPI Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the BPI Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to ‘share of profit (loss) of an associate’ in profit or loss.

Unrealized gains on transactions between the BPI Group and its associates are eliminated to the extent of the BPI Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the BPI Group.

(c) Business combination between entities under common control

Business combinations under common control are accounted for using the pooling of interest method following the guidance under the PIC Q&A No. 2018-06. Under this method, the Parent Bank does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination.

(d) Business combination under PFRS 3

The BPI Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the BPI Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any, and fair value of any pre-existing equity interest in the acquiree, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the BPI Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the BPI Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the BPI Group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Measurement period

The quantitative information disclosed in Note 30.3 are provisional amounts as at audit report date. PFRS 3 allows a one year measurement period for the acquirer to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable.

31.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates in the Parent Bank's separate financial statements are accounted for using the cost method in accordance with PAS 27. Under this method, income from investment is recognized in profit or loss only to the extent that the investor receives distributions from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction of the cost of the investment.

The Parent Bank recognizes a dividend from a subsidiary or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

The Parent Bank determines at each reporting date whether there is any indicator of impairment that the investment in the subsidiary or associate is impaired. If this is the case, the Parent Bank calculates the amount of impairment as the difference between the recoverable amount and carrying value and the difference is recognized in profit or loss.

Investments in subsidiaries and associates are derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries and associates at which time the cost and the related accumulated impairment loss are removed in the statements of condition. Any gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

31.6 Segment reporting

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated upon consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with PFRS 8, the BPI Group has the following main banking business segments: consumer banking, corporate banking and investment banking. Its insurance business is assessed separately from these banking business segments (Note 3).

31.7 Bank premises, furniture, fixtures and equipment

Land and buildings comprise mainly of branches and offices. All bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the BPI Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Construction-in-progress is initially recognized at cost and will be depreciated once completed and available for use. The cost of construction-in-progress includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items on the site on which it is located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized as part of the cost of those assets during the construction period. The construction-in-progress is internally funded by the Parent Bank hence, no borrowing costs were capitalized. The construction-in-progress is recorded as part of Buildings and leasehold improvements.

Land is carried at historical cost and is not depreciated. Depreciation for buildings and furniture and equipment is calculated using the straight-line method to allocate cost or residual values over the estimated useful lives of the assets, as follows:

Building	25-50 years
Furniture and equipment	3-5 years
Equipment for lease	2-8 years

Leasehold improvements are depreciated over the shorter of the lease term (ranges from 5 to 10 years) and the useful life of the related improvement (ranges from 5 to 10 years). Major renovations are depreciated over the remaining useful life of the related asset.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. There are no bank premises, furniture, fixtures and equipment that are fully impaired as at December 31, 2023 and 2022.

31.8 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.

31.9 Foreclosed assets

Assets foreclosed shown as Assets held for sale in the statements of condition are accounted for at the lower of cost and fair value less cost to sell similar to the principles of PFRS 5. The cost of assets foreclosed includes the carrying amount of the related loan. Impairment loss is recognized for any subsequent write-down of the asset to fair value less cost to sell.

Foreclosed assets not classified as Assets held for sale are accounted for in any of the following classification using the measurement basis appropriate to the asset as follows:

(a) Investment property is accounted for using the cost model under PAS 40;
(b) Bank-occupied property is accounted for using the cost model under PAS 16; and
(c) Financial assets are accounted for under PFRS 9.

When foreclosed assets are recovered through a sale transaction, the gain or loss recognized from the difference between the carrying amount of the foreclosed asset disposed and the net disposal proceeds is recognized in profit or loss.

31.10 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.

(d) Management contracts

Management contracts are recognized at fair value at the acquisition date. They have a finite useful life of five years and are subsequently carried at cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method over the estimated useful life of the contract. Management contracts are included under Other assets in the statement of condition.

31.11 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.

31.12 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, 2023 and 2022. 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.

31.13 Fees and commission income

The BPI Group has applied PFRS 15 where revenue is recognized when (or as) The BPI Group satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the BPI Group satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the BPI Group expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The BPI Group recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The BPI Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the BPI Group does not adjust any of the transaction prices for the time value of money.

Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party (i.e. the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses) are recognized on completion of underlying transactions. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided.

31.14 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.

31.15 Foreign currency translation

(a) Functional and presentation currency

Items in the financial statements of each entity in the BPI Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Philippine Peso, which is the Parent Bank’s functional and presentation currency.

(b) *Foreign subsidiaries*

The results and financial position of BPI's foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at reporting date;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component (Currency translation differences) of Accumulated other comprehensive income (loss) in the capital funds. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

(c) *Income from foreign exchange trading*

Foreign exchange gains and losses arising from trading of foreign currencies are recorded under "Income from foreign exchange trading" in the statement of income. Gains or losses are calculated as the difference between the carrying amount of the asset sold and the net disposal proceeds at the date of sale.

31.16 Provisions for legal or contractual obligations

Provisions are recognized when all of the following conditions are met: (i) the BPI Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item is included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

31.17 Income taxes

(a) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction.

The BPI Group has substantial income from its investment in government securities subject to final withholding tax. Such income is presented at its gross amount and the final tax paid or withheld is included in Income tax expense - Current.

(b) Deferred income tax

The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

The BPI Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

31.18 Employee benefits

(a) Short-term benefits

The BPI Group recognizes a liability net of amount already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses, and non-monetary benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Defined benefit retirement plan

The BPI Group has a defined benefit plan that shares risks among entities within the group. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of condition in respect of defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Defined benefit costs comprise of service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when the plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as interest income or expense in the statement of income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For individual financial reporting purposes, the unified plan assets are allocated among the BPI Group entities based on the level of the defined benefit obligation attributable to each entity to arrive at the net liability or asset that should be recognized in the individual financial statements.

(c) Defined contribution retirement plan

The BPI Group also maintains a defined contribution plan that covers certain full-time employees. Under its defined contribution plan, the BPI Group pays fixed contributions based on the employees' monthly salaries. The BPI Group, however, is covered under RA No. 7641, otherwise known as The Philippine Retirement Pay Law, which provides for its qualified employees a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641. Accordingly, the BPI Group accounts for its retirement obligation under the higher of the defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The BPI Group and Parent Bank determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) then, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest and other expenses related to the defined benefit plan are recognized in the statement of income.

The defined contribution liability is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

Actuarial gains and losses arising from the remeasurements of the net defined contribution liability are recognized immediately in the other comprehensive income.

(d) Share-based compensation

The BPI Group engages in equity-settled share-based payment transactions in respect of services received from certain employees.

The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of employee services received in respect of the shares or share options granted is recognized in profit or loss (with a corresponding increase in reserve in capital funds) over the period that the services are received, which is the vesting period.

The fair value of the options granted is determined using option pricing models which take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors.

When the stock options are exercised, 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) Bonus plans

The BPI Group recognizes a liability and an expense for bonuses and recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

31.19 Capital funds

Treasury shares

Except for dividends to be settled through BPI's own shares which are recognized in equity, 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.

Cash dividends are measured based on the amount declared by the BPI Group. Treasury shares declared as dividends are measured at its fair value at the time of declaration. Any costs attributable to the distribution of treasury shares are deducted from fair value and recognized within equity.

Merger reserves

Merger reserves represent the difference between the value of shares issued by the Parent Bank in exchange for the value of the shares acquired in respect of the acquisition of BFB accounted for under the pooling-of-interest method and the difference between the results of operations of BFB during the year ended December 31, 2021 and the dividends declared on December 29, 2021.

31.20 Fiduciary activities

The BPI Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the BPI Group (Note 24).

31.21 Leases

31.21.1 BPI Group is the lessee

Measurement of lease liabilities

Lease payments to be made under reasonably certain extension options are included in the measurement of the lease liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the BPI Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the BPI Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Measurement of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the BPI Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the BPI Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Lease modification

Lease modifications are accounted either as a separate lease or not a separate lease. The BPI Group accounts for the lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right of use to one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modification that is not accounted for a separate lease, at the effective date of lease modification, the BPI Group:

- allocates the consideration in the modified contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the BPI Group accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease; and
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The BPI Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statements of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

31.21.2 BPI Group is the lessor

BPI Group (as a lessor) continues to classify its leases as operating leases.

31.22 Insurance and pre-need operations

(a) Non-life insurance

The more significant accounting policies observed by the non-life insurance subsidiaries follow: (a) gross premiums written from short-term insurance contracts are recognized at the inception date of the risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method; (b) acquisition costs are deferred and charged to expense in proportion to the premium revenue recognized; reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs; (c) a liability adequacy test is performed which compares the subsidiaries' reported insurance contract liabilities against current best estimates of all contractual future cash flows and claims handling, and policy administration expenses as well as investment income backing up such liabilities, with any deficiency immediately charged to profit or loss; and (d) financial assets and liabilities are measured following the classification and valuation provisions of PFRS 9.

(b) Pre-need

The material provisions of the PNUCA as applied by the pre-need subsidiary follow: (a) costs of contracts issued and other direct costs and expenses are recognized as expense when incurred; (b) pre-need reserves which represent the accrued net liabilities of the subsidiary to its plan holders are actuarially computed based on standards and guidelines set forth by the Insurance Commission; the increase or decrease in the account is charged or credited to other costs of contracts issued in profit or loss; and (c) insurance premium reserves which represent the amount that must be set aside by the subsidiary to pay for premiums for insurance coverage of fully paid plan holders, are actuarially computed based on standards and guidelines set forth by the Insurance Commission.

32 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**	
	2023	2022	**2023**	2022
Return on average equity				
- Daily average[1]	**15.35**	13.14	**15.71**	13.02
- Simple average[2]	**15.22**	12.88	**15.76**	13.64
Return on average assets				
- Daily average[3]	**1.93**	1.59	**1.91**	1.52
- Simple average[4]	**1.88**	1.58	**1.87**	1.61
Net interest margin				
- Daily average[5]	**4.09**	3.59	**3.93**	3.47
- Simple average[6]	**3.98**	3.55	**3.82**	3.68

[1]*Net income divided by average total equity for the period indicated. Average equity is based on the daily average balance of equity for the years ended December 31, 2023 and 2022.*
[2]*Net income divided by average total equity for the period indicated. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2023 and 2022.*
[3]*Net income divided by average total assets as at period indicated. Average total assets are based on the daily average balance of total assets as at December 31, 2023 and 2022.*
[4]*Net income divided by average total assets as at period indicated. Average total assets are based on the year-on-year balance of total assets as at December 31, 2023 and 2022.*
[5]*Net interest income divided by average interest-earning assets. Average interest earning assets is based on the daily average balance of interest earning assets as at December 31, 2023 and 2022.*
[6]*Net interest income divided by average interest-earning assets. Average interest earning assets is based on the year-on-year balance of interest earning assets as at December 31, 2023 and 2022.*

(ii) Description of Capital Instrument Issued

BPI considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2023 and 2022.

Significant credit exposures

Details of the loans and advances portfolio as to concentration per industry/economic sector over total loan portfolio (in %) as at December 31 are as follows:

	Consolidated		**Parent**	
	2023	2022	**2023**	2022
Real estate, renting and other related activities	**23.12**	22.98	**23.48**	15.88
Manufacturing	**15.47**	16.39	**15.70**	19.21
Consumer	**11.44**	9.21	**10.62**	6.21
Transportation, storage and communications	**11.33**	10.74	**11.48**	11.04
Wholesale and retail trade	**11.20**	10.42	**11.01**	11.98
Financial institutions	**9.70**	9.26	**9.85**	10.88
Electricity, gas, steam and air-conditioning supply	**9.18**	11.85	**9.34**	12.01
Agriculture and forestry	**1.73**	1.91	**1.75**	2.23
Others	**6.83**	7.24	**6.77**	10.56
	100.00	100.00	**100.00**	100.00

Details of the loans and advances portfolio as to concentration per industry/economic sector over Tier 1 Capital (in %) as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
Real estate, renting and other related activities	**138.44**	115.90	**148.97**	67.71
Manufacturing	**92.63**	82.63	**99.62**	81.88
Consumer	**68.48**	46.44	**67.37**	26.48
Transportation, storage and communications	**67.87**	55.34	**72.85**	54.94
Wholesale and retail trade	**67.07**	52.56	**69.83**	51.07
Financial institutions	**58.09**	46.69	**62.49**	46.40
Electricity, gas, steam and air-conditioning supply	**54.93**	59.76	**59.25**	59.76
Agriculture and forestry	**10.36**	9.63	**11.11**	9.51
Others	**40.84**	35.32	**43.00**	31.85

Breakdown of total loans

Details of the loans and advances portfolio as at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**304,090**	281,974	**302,870**	280,633
Project assets	**138,915**	143,541	**138,915**	143,541
Chattel mortgage	**75,028**	60,287	**75,028**	60,287
Others	**25,912**	39,698	**25,757**	38,944
	543,945	525,500	**542,570**	523,405
Unsecured loans	**1,382,593**	1,224,068	**1,350,313**	1,202,678
	1,926,538	1,749,568	**1,892,883**	1,726,083

Others represent loans secured mainly by hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Breakdown of performing and non-performing loans net of allowance for credit losses, as reported to the BSP, are as follows:

Consolidated

	2023			2022		
	Performing	Non-performing	Total	Performing	Non-performing	Total
	(In Millions of Pesos)					
Corporate loans	**1,483,876**	**16,662**	**1,500,538**	1,385,660	14,502	1,400,162
Credit cards	**124,606**	**5,107**	**129,713**	90,515	2,970	93,485
Other retail loans	**282,627**	**13,666**	**296,293**	242,496	13,407	255,903
	1,891,109	**35,435**	**1,926,544**	1,718,671	30,879	1,749,550
Allowance for probable losses	**(11,154)**	**(22,726)**	**(33,880)**	(6,934)	(21,415)	(28,349)
Net carrying amount	**1,879,955**	**12,709**	**1,892,664**	1,711,737	9,464	1,721,201

**Amounts exclude accrued interest receivables and GLLP*

Parent

	2023			2022		
	Performing	Non-performing	Total	Performing	Non-performing	Total
			(In Millions of Pesos)			
Corporate loans	**1,483,636**	**16,635**	**1,500,271**	1,385,211	14,428	1,399,639
Credit cards	**124,606**	**5,107**	**129,713**	90,515	2,970	93,485
Other retail loans	**251,171**	**11,735**	**262,906**	220,904	12,038	232,942
	1,859,413	**33,477**	**1,892,890**	1,696,630	29,436	1,726,066
Allowance for probable losses	**(11,336)**	**(21,280)**	**(32,616)**	(7,116)	(20,359)	(27,475)
Net carrying amount	**1,848,077**	**12,197**	**1,860,274**	1,689,514	9,077	1,698,591

**Amounts exclude accrued interest receivables and GLLP*

BSP Circular 941, *Amendments to Regulations on Past Due and Non-Performing Loans,* states that loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and if there is an evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

(iii) Information on Related Party Loans

Details of related party loans are as follows (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Loans and advances from:				
Subsidiaries	**-**	-	**87**	34
Associates	**113**	42	**113**	42
Ayala Group	**61,567**	64,654	**61,567**	64,654
Other related parties	**-**	-	**-**	-

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	**61,680**	64,696	**61,767**	64,730
% to total outstanding related party loans				
Subsidiaries	**-**	-	**0.14**	0.05
Associates	**0.18**	0.06	**0.18**	0.06
Ayala Group	**99.82**	99.94	**99.68**	99.89
Other related parties	**-**	-	**-**	-

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	**61,680**	64,696	**61,767**	64,730
% to total outstanding related party loans				
Unsecured related party loans	**8.82**	63.77	**8.81**	63.74
Past due related party loans	**-**	-	**-**	-
Non-performing related party loans	**-**	-	**-**	-

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Outstanding DOSRI loans	**18,701**	19,571	**18,701**	19,571

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In percentages)			
% to total outstanding loans and advances	**0.97**	1.12	**0.99**	1.13
% to total outstanding DOSRI loans				
Unsecured DOSRI loans	**2.30**	2.40	**2.30**	2.40
Past due DOSRI loans	**0.04**	0.02	**0.04**	0.02
Non-performing DOSRI loans	**0.02**	0.03	**0.02**	0.03

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at December 31, 2023 and 2022.

(iv) Secured Liabilities and Assets Pledged as Security

The BPI Group's Bills payable (Note 16) include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group. As at December 31, 2023 and 2022, part of the bills payable of the Parent Bank is secured by government securities classified as investment securities at amortized cost (Note 9).

Contingencies and commitments arising from off-balance sheet items

The following is a summary of BPI's contingencies and commitments at their equivalent peso amounts as reported to the BSP:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Trust accounts	**1,223,096**	875,063	**-**	-
Derivatives	**319,337**	422,807	**314,881**	413,679
Commitments	**186,611**	148,935	**186,611**	148,935
Financial standby letters of credit - foreign	**30,472**	28,960	**30,472**	28,960
Bills for collection	**22,923**	23,470	**22,923**	23,470
Commercial letters of credit	**11,322**	14,142	**11,322**	14,142
Performance standby letters of credit - foreign	**10,898**	6,045	**10,898**	6,045
Spot foreign exchange contracts	**7,310**	13,264	**7,310**	13,264
Guarantees issued	**2,521**	2,774	**2,521**	2,774
Trade related guarantees	**1,208**	5,203	**1,208**	5,203
Other contingent accounts	**39,712**	160,435	**39,618**	11,536
	1,855,410	1,701,098	**627,764**	668,008

Other contingent accounts pertain to late deposits or payments received, deficiency claims receivable, items held for safekeeping, and items held as collateral.

Significant credit risk exposures arising from off-balance sheet items are as follows:

	Consolidated		Parent	
	2023	2022	**2023**	2022
	(In Millions of Pesos)			
Undrawn loan commitments	**504,918**	1,143,705	**504,918**	1,143,705
Unused letters of credit	**55,808**	57,148	**55,808**	57,148
Gross carrying amount	**560,726**	1,200,853	**560,726**	1,200,853
Loss allowance	**(1,232)**	(1,034)	**(1,232)**	(1,034)
Carrying amount	**559,494**	1,199,819	**559,494**	1,199,819

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the BPI Group is required to provide a loan with pre-specified terms to the customer. These off-balance sheet items are within the scope of PFRS 9 where the BPI Group estimates that the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to the off-balance sheet items is recognized in “Miscellaneous liabilities” (Note 17).

The BPI Group has no other off-balance sheet items other than the items listed above.

33 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 PFRSs.

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, 2023 consist of:

	Amount (In Millions of Pesos)
Deposit and loan documents	**10,685**
Trade finance documents	**846**
Mortgage documents	**500**
Shares of stocks	**3**
Others	**4**
	12,038

(ii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2023 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Income taxes withheld on compensation	2,829	338	3,167
Withholding tax on withdrawal from decedent's account	19	1	20
Final income taxes withheld on interest on deposits and yield on deposit substitutes	5,013	589	5,602
Final income taxes withheld on income payment	2,610	399	3,009
Creditable income taxes withheld (expanded)	727	103	830
Fringe benefit tax	87	31	118
Withholding value-added tax	56	10	66
	11,341	**1,471**	**12,812**

(iii) All other local and national taxes

All other local and national taxes paid/accrued for the year ended December 31, 2023 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Gross receipts tax	6,661	750	7,411
Real property tax	153	-	153
Municipal taxes	338	-	338
Others	100	-	100
	7,252	**750**	**8,002**

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 various claims of tax refund pending with tax authorities. There are no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

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Bank of the Philippine Islands

Medium Term Note Programme

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13 March 2024