BPI

A trusted lifeline for a new tomorrow, today.

"We are building an institution that will help define banking of the future;
by setting new standards and higher expectations;
by being ready today, ready tomorrow."

- **Cezar P. Consing, President and CEO**

OUR VISION

Building a Better Philippines

OUR MISSION

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

BPI CREDO

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

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

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

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

CORE VALUES

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

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

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

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

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

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

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ABOUT THE **REPORT**

SCOPE AND COVERAGE. *A trusted lifeline for a new tomorrow, today*, is the title of BPI's 2020 Integrated Report. It covers the Bank's performance from January 1 to December 31, 2020. It highlights the business operations of BPI and its subsidiaries and affiliates in the Philippines and offices abroad, unless otherwise stated in the data presentation[1]. Our Integrated Report discusses the Bank's overall financial, economic, environmental, and social performance and how we create value through our products and services. The reporting boundary is aligned with the coverage of our financial reporting and includes other information that help provide context to our disclosures.

The report has been prepared in accordance with the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework[2], and Bangko Sentral ng Pilipinas (BSP), and Philippine Securities and Exchange Commission (SEC) guidelines on the submission of annual and sustainability reports, respectively. This report references the Global Reporting Initiative's (GRI) Sustainability Reporting Standards (GRI Standards) and Sustainability Accounting Standards Board (SASB) standards to bring out BPI's sustainability performance.

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

Data covering the Philippine banking industry, macroeconomic, behavioral, and demographic trends were sourced from the reports of the BSP, Bureau of the Treasury, Bloomberg, CEIC Database, International Monetary Fund, Philippine Statistics Authority (PSA), and World Bank. Other data sources are found in the footnotes.

CONTACT INFORMATION
For questions, comments, and suggestions, contact us through:

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BPI Corporate Affairs and Communications
corporateaffairs@bpi.com.ph

[1] *Divergence from reporting boundaries are due to the following factors: (1) nature of the data source; (2) inadequate systems for capturing data; (3) insignificance in scale of operations; and (4) non-controllable aspects of operations by BPI management. Employee head count covers all active employees of BPI and its subsidiaries and affiliates in the Philippines as of December 31, 2020. Local hires of BPI's foreign offices are excluded. Environmental footprint includes branches, head offices, and business centers in the Philippines, excluding BPI Direct BanKo branches and branch-lite units.*

[2] *The seven <IR> guiding principles underpin the preparation of the content of the report and how information is presented.*

- *Materiality - BPI undertook a full materiality and stakeholder engagement from 2019 to 2020 to validate and update material topics in preparation for the report. See material topics and indicators on pages 323 to 324.*
- *Conciseness - Where applicable, references to prior published information are noted, and only material topics that affect the value creation of the Bank is presented.*
- *Consistency and comparability - The report references the GRI and SASB disclosure standards for sustainability performance reporting, and comparison on performance of material issues from prior years is provided.*
- *Reliability and completeness - Business units, including subsidiaries, regularly report their performance to management. Our Internal Audit Division also regularly examines business units across the BPI Group. For 2020, BPI engaged DNV-GL to provide external assurance on the non-financial disclosures of the report, while Isla Lipana & Co. was engaged to provide external assurance on financial disclosures.*
- *Connectivity - The report recognizes interrelatedness and relationships between the factors that affect BPI's ability to create value.*
- *Stakeholder relationships - Our key stakeholders impact our business, and they in turn are affected by our operations. A discussion on the formal platforms of engagement and our responses to key concerns are presented on pages 321 to 322.*
- *Strategic focus and future orientation - A discussion on how the Bank creates financial and non-financial value to stakeholders, and how risks and opportunities are managed is presented under Business Model and Value Creation on pages 20 to 21, Strategy and Performance on pages 36 to 37, and Risks and Opportunities on pages 32 to 35.*

OUR **BUSINESS**

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

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

We aim to provide better access to financial services for every Filipino. We want everyone – from individuals, enterprises, and institutions – to directly or indirectly benefit from the economic value generated and enabled by our business. We shall continue to provide products and services efficiently, always mindful of our corporate values that have guided us through almost 170 years: Customer Service, Excellence, Loyalty, Teamwork, Integrity, and Concern for People.

A fully diversified universal bank and a recognized leader in the banking industry, BPI, together with our subsidiaries and affiliates, offer a diverse range of products and services in consumer and corporate banking as well as in asset management, payments, insurance, investment banking, foreign exchange, leasing, and securities distribution. We continue to enhance our digital infrastructure for a truly digital banking experience in the future, where clients can have delightfully better, more convenient, and secure access to our services.

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

As of today, our network boasts of 1,173 BPI, BPI Family Savings Bank (BFSB), and BPI Direct BanKo (BanKo) branches and branch-lite units (BLUs) nationwide. We also have more than 2,700 ATMs and CAMs, and about 8.6 million clients being served by a 19,952-strong employee workforce. Together with our subsidiaries and affiliates in the BPI group, we seek to serve all client segments, including corporate, consumer, or small, medium and micro-entrepreneurs.

Overseas, we offer diverse value-added services through two banking subsidiaries: BPI International Finance Limited in Hong Kong and Bank of the Philippine Islands (Europe) Plc, which has a head office and a branch in London. This global presence is further strengthened through 139 international tie-ups, remittance centers, and representative offices in Hong Kong, Tokyo, and Dubai, which have been established to meet the financial services needs of overseas Filipinos.

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

MESSAGE FROM THE **CHAIRMAN AND PRESIDENT AND CEO**

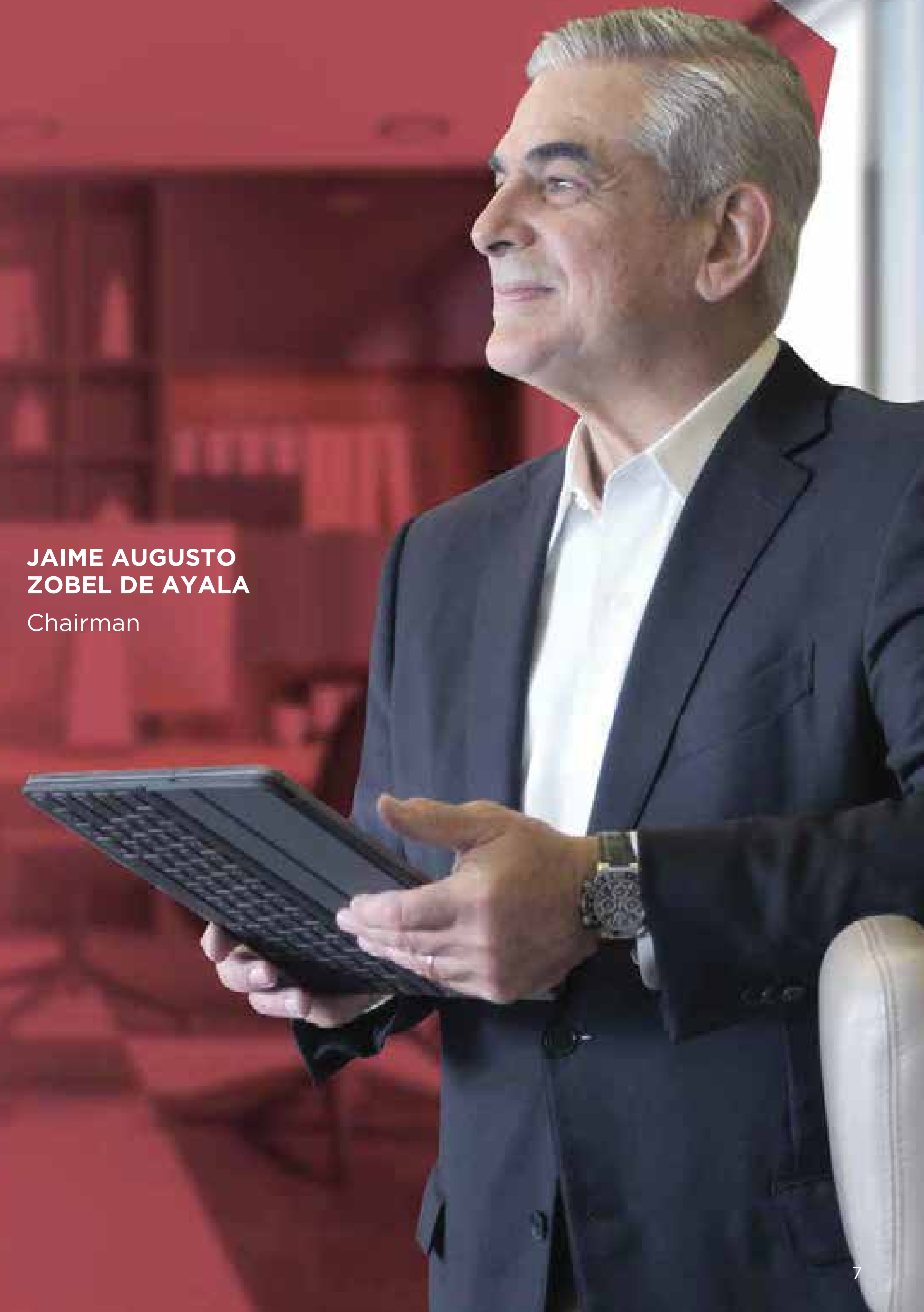
DEAR FELLOW SHAREHOLDERS,

"It was the best of times, it was the worst of times . . . it was the spring of hope, it was the winter of despair."

- Charles Dickens, *A Tale of Two Cities*

The words of Charles Dickens, written over 160 years ago, aptly describe what 2020 was like for our country and your bank. In January, Taal volcano erupted, causing massive destruction to the nearby provinces. By the second quarter, the COVID-19 pandemic forced the government to institute broad and strict lockdowns, which only began to ease towards the fourth quarter. The year also saw a series of strong earthquakes, with many centered in Mindanao. And as 2020 came to a close, two typhoons wreaked havoc in many areas of the country.

The COVID-19 pandemic and the government's response to it largely determined how the Philippine economy performed in 2020. As the lockdowns were stricter and more encompassing than elsewhere, mobility scores were amongst the lowest in the region. At the same time, the government's fiscal response to the pandemic was lower as a percentage of GDP than most countries, reflecting a focus on maintaining, successfully for now, the country's investment-grade credit ratings and, separately, concerns about sizable leakages in the distribution of cash aid to the neediest Filipinos. The combination of low mobility and a conservative fiscal response more than offset the BSP's very aggressive monetary response, the highlights of which were a reduction of reserve requirements and policy rates by 200 bps, from 14% to 12% and from 4% to 2%, respectively, over the course of the year, which translated into additional liquidity equal to 10% of GDP. Thus, GDP for the year declined by 9.6%, the worst on record; the unemployment rate surged from 4.6% to 17.6% before settling at 8.7%; and average full year inflation rose from 2.5% to 2.6% due to supply-side factors. The combination of a 2.6% inflation rate and a 2% BSP policy rate has produced negative real interest rates, the continuation of which is detrimental



JAIME AUGUSTO ZOBEL DE AYALA
Chairman

to long-term investment, the earnings of banks and the economy at large. With import demand low, the Philippine peso strengthened by 5.4% relative to the U.S. dollar, and dollar reserves ballooned to US$ 110 billion, equivalent to almost 12 months' imports.

The banking industry, which is a levered bet on the economy, was at the epicenter of this economic maelstrom. After almost a decade of double-digit loan growth, 2020 saw loans contracting by 2.8%, a reflection of a very sharp drop in loan demand and a deterioration of loan quality, as non-performing loans as a percentage of total loans grew from 2.1% in 2019 to 3.7% in 2020. In addition, the loan moratoriums provided by Bayanihan Acts 1 and 2 delayed the recognition of non-performing loans and made more difficult the assessment of loan quality, while the imposition by the BSP of an interest rate cap on credit card loans caused banks to reduce credit to riskier customers. As a result of these factors, banks increased loan loss provisions by an average factor of 4.0x. In fact, in 2020, for the very first time, the banking industry's total loan loss provisions exceeded its total profits. The banks funded a portion of the increase in loan loss provisions with trading gains, as the declining interest rate environment increased the value of the securities on banks' books. But the sheer magnitude of loan loss provisions meant that industry profitability, as measured by return on equity, dropped from 10.5% in 2019 to 6.6% in 2020. More telling has been the drop in the market capitalization of banks. The PSE index declined by 8.6% in 2020, with the banking sector, which declined in value 21.1%, by far the most negatively impacted. Fortunately, Philippine banks are better capitalized today, in terms of the percentage of book equity to total assets, than at almost any other time in modern history, a result of numerous equity capital raisings over the last decade in response to more stringent capital requirements. Hence, the viability of the country's major banks remains unquestioned.

Ironically, what was a very challenging year presented BPI the opportunity to re-assert its position as a banking industry leader and a trusted Philippine institution. After working with regulatory authorities to ensure that banks would be allowed to operate during the lockdown, the Bank's business continuity plans immediately kicked in, ensuring that critical banking products and services, including the availability of cash and payments transfers, would be readily available. When the lockdowns were most severe, on average almost all of the Bank's ATMs and CAMs, and at least half of the branches, were up and running, and head office units were staffed at approximately 50%. While the number of employees that worked from home was significant, the availability of mobility tools meant that productivity was maintained, if not enhanced.

The Bank spent over half a billion pesos to ensure that our employees could be transported to and from work, that their workplaces were clean and configured for social distancing, that they were provided with appropriate allowances for working under extraordinary circumstances, that they tested for COVID-19, and that they received adequate treatment if infected. These measures paid off.

CEZAR P. CONSING

President and
Chief Executive Officer

While about half of our employees do front-line work, only about 3.5% of all of the Bank's employees caught COVID, with the number of those requiring hospitalization a very small percentage of those infected. Our contact tracing measures revealed that the vast majority of infections were a result of community transmission, and not incurred at work.

The Bank's many years of investment in technology, and digitalization in particular, became readily apparent to our customers and the market in 2020, as the lockdowns forced customers to transact via their mobile phones or their laptops. Prior to the lockdowns, transactions executed via the Bank's electronic channels (mobile, online, ATM, CAM) accounted for 85.2% of all transactions. At the height of the lockdowns, this percentage grew to 95.1%. Today, with the lockdowns eased, this percentage is holding at 92.3%. While branch transactions still account for the bulk of the value of all of the Bank's transactions, we believe that the percentage of branch transactions to total transactions will not return to pre-COVID levels. In fact, during the lockdowns, we saw thousands of customers enrolling in our digital channels every week. Today, 52% of all of our customers are digitally enabled, with more than half of them classified as active users. Having executed almost 1.8 billion in online transactions in 2020, BPI is an acknowledged leader in digital banking. The Bank's finance app ranks number 5 on App Store and number 6 on Google Play. In Instapay, the Bank ranks number 2 in receiving transactions and number 3 in sending transactions; and 12.6% of Instapay users are BPI customers. We are using our digital platform to work with dozens of open banking partners — the likes of GCash, Lazada, Paymaya — to become a key focal point of financial intermediation in the Philippines. According to the media intelligence firm Isentia, BPI is the most mentioned Philippine bank in social media.

Our employees' ability to stand by their posts combined with our growing digital capabilities allowed us to increase revenues by 10.5% to hit Php 101.9 billion, an all-time high. Net interest income grew by 10.2% on the back of a 14-basis-point increase in net interest margins offsetting a 4.6% decrease in net loans. Non-interest income also grew by 11.1% as a 65.2% increase in trading income offset a 5.0% decrease in fees and commissions. With operating expenses about flat, pre-provision operating profits increased by 22.4%. However, with the lockdowns affecting the ability of business and consumer borrowers to service their loans, we thought it prudent to take Php 28 billion in loan loss provisions, a fivefold increase, and hike our coverage for non-performing loans — which had grown from Php 24.8 billion to Php 38.8 billion — from 102.1% to 115.2%. At year-end, our non-performing loans represented 2.7% of our total loan book, considerably lower than the industry average and indicative of the Bank's credit discipline. Nonetheless, the hefty increase in provisions reduced net income by 25.7% to Php 21.4 billion from Php 28.8 billion in the previous year.

The Bank's balance sheet grew by 1.3%, the slowest in over a decade, as a larger securities book offset the decline in loans. Deposits grew by 1.2%, with a 16.6% growth in current and savings account deposits offsetting a 33.2% drop in time deposits, the latter the result of a drive to reduce the Bank's funding costs. The Bank issued Php 70.7 billion in bonds during the year, including Php 21.5 billion in CARE bonds, the proceeds of which are earmarked for the important SME segment. However, borrowings as a percentage of total liabilities were at a conservative 7.8%. With profits growing faster than risk assets, the Bank's already strong capital position was further bolstered, with the capital adequacy ratio growing from 16.1% to 17.1%.

Amongst our many lines of business, a few had particularly strong showings in 2020. Our asset management and mutual funds businesses saw their assets under management (AUM) growing by 16.8% and 95.6%, respectively, the latter helped partly by the acquisition of Php 67 billion in AUM from a competitor earlier in the year. Our mortgage lending business grew by 6.6%, and our microfinance lending business, already the second largest in the country, grew by 6.9%. Our investment banking unit was the leading debt and equity underwriter in the country, and its underwriting fees grew by 66% on the back of 30 transactions.

BPI is one of only two Philippine companies rated BBB+ by the rating agency Standard & Poor's (S&P). The credit rating, which is equal to that of the Philippine government, was again confirmed during the year. The BSP continues to give the Bank very high marks for its capital position, asset quality, management, earnings, liquidity and low sensitivity to market risk. And the Bank's various ESG (environmental, social, governance) scores would place it first or second among Philippine banks. BPI is the only large bank whose shares outperformed the Philippine stock exchange index in 2020, and we remain the country's second largest Bank by market capitalization.

In October, the prestigious international financial publication Euromoney named BPI as the "Best Bank in the Philippines". Euromoney cited the Bank's multi-year digital transformation journey and the success of our investment banking unit. Euromoney ran a quote that "BPI is a port in a storm—and right now, we are in a storm." Indeed, ours is a bank built to withstand crises. We had a good year in what was a very bad year.

Looking forward, we have to continue to take steps that will future-proof the Bank. One of these steps, announced in January 2021, is the merger of BPI Family Savings Bank, our wholly-owned thrift bank, into BPI. The merger, which is subject to regulatory approvals, will provide scale that will be beneficial for customers and employees, with the merger synergies adding value to BPI shareholders. Ours is a 170-year old institution determined to grow, thrive, and contribute to nation-building for a long, long time by making the right strategic decisions. We are ready today, ready tomorrow.

We close by thanking our Board of Directors for their wise counsel, our management and staff for their professionalism and dedication, and you, our shareholders, for your continued support.

JAIME AUGUSTO ZOBEL DE AYALA
Chairman

CEZAR P. CONSING
President and Chief Executive Officer

PROTECT SERVE PIVOT

AYALA GROUP'S RESPONSE TO COVID-19

The Ayala Group's commitment to nation-building became the focus, as COVID-19 brought the company's years of history, diversity, and experience to the fore.

"It has been truly inspiring to see how everyone has come together to offer help and find solutions to our daily challenges," said Fernando Zobel de Ayala, Ayala Corporation President and COO. "A crisis of this magnitude needs all sectors to step up and pitch in. As a member of the private sector, Ayala has a key role to play in recovery and nation-building. You can count on us." added Jaime Augusto Zobel de Ayala, Ayala Corporation Chairman and CEO.

The initiatives we led as a group were guided by our drive to protect our employees, serve the larger community, and pivot our businesses toward a new normal resilient to the impact of the pandemic.

1 AC Health opens COVID-19 referral centers
AC Health converted two QualiMed hospitals in Sta. Rosa and San Jose Del Monte into COVID-19 referral centers. To date, these hospitals have performed over 80,000 tests.

2 Manila and Quezon cities get a boost in COVID-19 testing from Ayala
Donated by the Ayala Group, the City of Manila opened a new molecular laboratory inside Sta. Ana Hospital, with serology testing being offered in various barangays for free. Ayala also donated two GeneXpert PCR machines.

Likewise, Quezon City received a Bio Rad PCR machine for its newly constructed Quezon City Bio-Molecular Laboratory. An additional P4.5million worth of supplies for PCR pooled testing were also donated by Ayala and the LGU's partners.

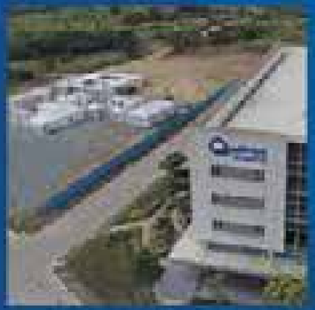
3 Ayala donates testing facilities for Davao
Ayala donated an automated RNA Extraction machine and two RT-PCR machines to Davao City's Southern Philippines Medical Center, allowing the hospital to test as many as 1,000 more patients a day.

4 Swabbing booths are donated
Ayala donated booths for the government's four main swabbing centers: Palacio de Maynila tent along Roxas Boulevard, the Mall of Asia Arena in Pasay City, Enderun Colleges in Taguig City, and the Philippine Arena in Bulacan.
Photo by: KrizJohn Rosales of Philippine Star

5 Ayala group donates to Red Cross
With Bank of the Philippine Islands and Globe Telecom, Ayala helped the Philippine Red Cross address critical needs in public health protection.

6 A 502-bed mega isolation facility is created in seven days
The World Trade Center (WTC) We Heal as One Center was made possible through the collective efforts of Ayala, Ayala Land, Globe Telecom, Manila Water, Integrated Micro- Electronics, and AC Energy, with the ICCP Group and Manila Exhibition Center Inc. (MEC) and in partnership with the Bases Conversion Development Authority (BCDA) and the National Government. The Ayala Group of Companies pooled P46.4 million for this project.

7 Project Ugnayan reaches out to Metro Manila's most vulnerable
With the Philippine Disaster Relief Foundation and Caritas Manila, Ayala convened 270 private corporations and raised PhP1.7 billion for food vouchers and donations, benefitting around 14 million individuals in the Greater Manila Area. Visit www.projectugnayan.org
Photo by: Ayca Bacani



"A crisis of this magnitude needs all sectors to step up and pitch in. As a member of the private sector, Ayala has a key role to play in recovery and nation-building. You can count on us."

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Fernando Zobel de Ayala
Ayala Corporation
President and COO

8 **IMI creates an affordable alternative for ventilators**
The University College London's (UCL) Ventura Flow Generator is the first breathing aid to be manufactured in the Philippines, localized by Integrated Micro-Electronics, Inc.'s (IMI) UK subsidiary's technology. It received FDA approval in July 2020.

9 **MWF pushes for hygiene awareness and creates facilities**
Manila Water Foundation (MWF) continues to build new and rehabilitate existing handwashing facilities and distribute hygiene packages under MWF's banner program, "WASH in Pandemic."

10 **Ayala looks after employees through testing**
The Ayala Group's immediate response to COVID-19 was to protect its employees, both financially and physically. Visit https://chronicle2020.ayala.com

11 **Ayala Land (ALI) converts Red Cross Laboratory COVID testing**
ALI's Makati Development Corporation (MDC) converted an area inside the Philippine Red Cross headquarters in Mandaluyong City into a biosafety laboratory class 2 facility. MDC has since built six other COVID-19 facilities nationwide.

12 **High-speed Internet access for Pasig**
Globe Telecom and the local government of Pasig City partner up to deliver high-speed and affordable Internet access through GoWiFi and KonekTayo WiFi.

13 **Internet access for students of Manila**
Globe Telecom's KonekTayo School Bus WiFi was launched in Manila, helping students avail of the KonekTayo WiFi service for as low as PhP15 a day.
Photo Credit: Marianne Bermudez of Philippine Daily Inquirer

14 **AC Health and Qualimed launch a vaccination drive**
Dr. Edwin Mercado, Vice-Chairman of QualiMed's founding group Mercado General Hospital, Inc. (MGHI), was the first healthcare worker outside of Metro Manila to be vaccinated with the AstraZeneca vaccine.

FINANCIAL AND OPERATING HIGHLIGHTS

	Consolidated			Parent Entity		
	2020	2019	Change	2020	2019	Change
BALANCE SHEET (in Php mn)						
Assets	2,233,443	2,205,030	1.3%	1,897,936	1,857,838	2.2%
Treasury Securities	412,049	353,115	16.7%	370,975	318,014	16.7%
Net Loans	1,407,413	1,475,336	-4.6%	1,175,071	1,231,776	-4.6%
Deposits	1,716,177	1,695,343	1.2%	1,470,210	1,456,458	0.9%
Equity[1]	279,835	269,577	3.8%	231,170	216,250	6.9%
INCOME STATEMENT (in Php mn)						
Net Interest Income	72,264	65,575	10.2%	58,356	52,972	10.2%
Non-Interest Income	29,659	26,687	11.1%	29,979	24,597	21.9%
Net Revenues	101,923	92,262	10.5%	88,335	77,569	13.9%
Operating Expenses	48,154	48,344	-0.4%	38,202	38,480	-0.7%
Pre-provision Profit	53,769	43,918	22.4%	50,133	39,089	28.3%
Impairment Losses	28,000	5,562	403.4%	21,394	4,666	358.5%
Net Income[1]	21,409	28,803	-25.7%	24,611	26,218	-6.1%
FINANCIAL PERFORMANCE INDICATORS						
Profitability						
Return on Equity	7.70%	10.97%	-3.3%	10.81%	12.51%	-1.7%
Return on Assets	0.98%	1.38%	-0.4%	1.33%	1.50%	-0.2%
Margins and Liquidity						
Net Interest Margin	3.49%	3.35%	0.1%	3.31%	3.18%	0.1%
Net Loans to Deposit Ratio	82.0%	87.0%	-5.0%	79.9%	84.6%	-4.6%
Cost Efficiency						
Cost to Income Ratio	47.2%	52.4%	-5.2%	43.2%	49.6%	-6.4%
Cost to Average Assets Ratio	2.20%	2.34%	-0.1%	-	-	
Asset Quality						
NPL Ratio[2]	2.68%	1.66%	1.0%	-	-	
NPL Cover	115.2%	102.1%	13.1%	-	-	

	Consolidated			Parent Entity		
	2020	2019	Change	2020	2019	Change
Capital and Leverage						
CET 1 Ratio	16.17%	15.17%	1.0%	15.59%	14.08%	1.5%
Capital Adequacy Ratio	17.06%	16.07%	1.0%	16.50%	14.94%	1.6%
DISTRIBUTION NETWORK AND MANPOWER						
Branches/International Offices	1,176	1,170	6	-	-	
ATMs	2,707	2,822	(115)	-	-	
Employees	19,952	21,429	(1,477)	-	-	
Officers	6,948	7,352	(404)	-	-	
Staff	13,004	14,077	(1,073)	-	-	
SHAREHOLDER INFORMATION						
Market Value						
Share Price	81.35	87.90	-7.5%	-	-	
Market Capitalization (in Php mn)	367,141	396,172	-7.3%	-	-	
Valuation						
EPS, Basic and Diluted	4.79	6.38	-24.9%	5.45	5.82	-6.4%
Book Value per Share	62.00	59.81	3.7%	-	-	
Price-Earnings Ratio	17.1x	13.8x	3.3x	-	-	
Price to Book Value	1.3x	1.5x	-0.2x	-	-	
Dividends						
Cash Dividends Paid to Common Shareholders (in Php mn)	8,124	12,167	-33.2%	8,124	12,165	-33.2%
Cash Dividends per Common Share	P1.80	P1.80		-	-	

[1] Attributable to equity holders of BPI
[2] Based on BSP circular 941

CULTIVATING AN **INTEGRATED APPROACH**

BUSINESS MODEL AND **VALUE CREATION**

2020 PERFORMANCE

Our Capitals

FINANCIAL

We maintain a strong balance sheet, and we continue to grow and optimize our deposit franchise and loan book.

Php 2.2 trillion in total assets, a 1.3% increase from 2019

Php 279.8 billion in total capital

MANUFACTURED AND INTELLECTUAL

We have a reliable, secure, and expanding network of delivery infrastructure, in both traditional and digital platforms.

1,173 branches and branch-lite units across the country

2,707 ATMs and CAMs across the country

99.7% Uptime for the new BPI Online and BPI Mobile App

99.9% Uptime for BizLink

Established **BPI Sustainable Funding Framework**

HUMAN

We are driven by energized, enabled, and engaged employees with diverse talents.

19,952 employees (67% women, 33% men)

Php 48.4 million on local trainings for employees

SOCIAL AND RELATIONSHIP

We are the beacon of stability and credibility upon which trust is built and sustained among our clients and global banking partners.

almost **170** years of providing quality service and trusted advice

139 international remittance partners

BPI Credo and Core Values

NATURAL

Our environmental management systems ensure that we use resources efficiently to minimize our impact on the environment.

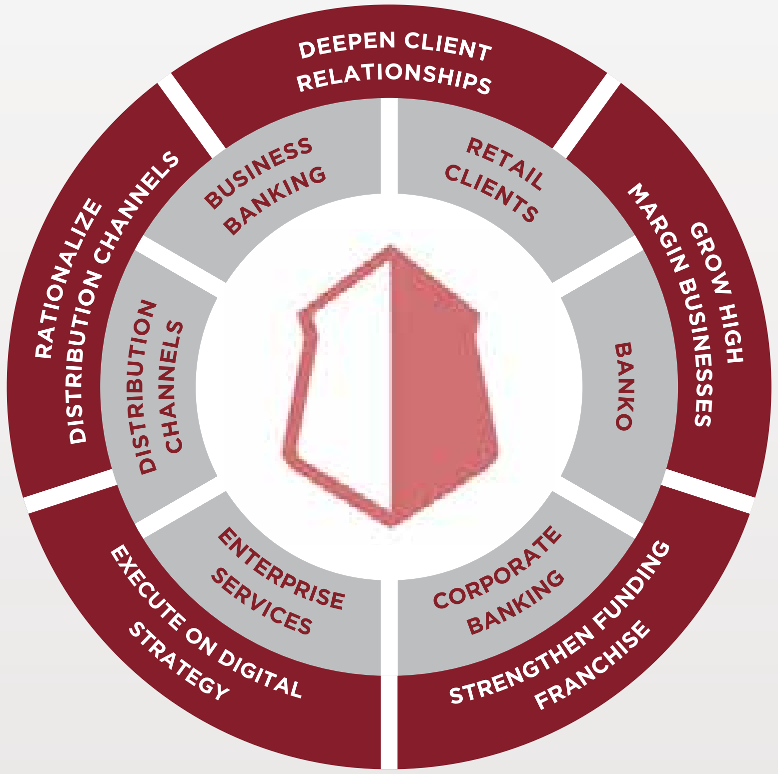
119,291 gigajoules of electricity consumption

252,975 cubic meters of water consumption

How we create value

OUR VISION
Building a Better Philippines

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



Our business model seeks to create short, medium, and long-term value for our stakeholders in a sustainable and risk-adjusted way. This value chain is based on the capitals model of the International Integrated Reporting Council (IIRC).

The value we create

CLIENTS AND COMMUNITIES

We foster financial inclusion and wellness, scale-up enterprises, and spur investments that directly impact our clients and the communities we serve.

8.6 million total clients

Php 1.4 trillion in total customer loans

2.7 million unique active users of BPI Online and Mobile App

Financial Inclusion	Financing Sustainable Development	Supporting Nation Building
Php 18 billion microfinance loans disbursed through BanKo to date **1,686** financial education trainings conducted	**Php 199.9 billion** disbursed in 2020 towards projects identified to contribute to the UN Sustainable Development Goals **Php 21.5 billion** raised through COVID Action Response (CARE) Bond issuance	**Php 189 billion** loans disbursed to SMEs through Business Banking to date Over **111,000** SME clients served

Employees
We invest in our employees, provide them a workplace that fosters learning and development, career advancement, and sustainable engagement.

Php 17.8 billion total payments to employees

2.4 million total training hours provided to employees or an average of 120 training hours per employee

Investors
We optimize our financial performance and value creation, ensuring delivery of superior shareholder returns in a manner that is transparent and equitable.

Php 101.9 billion in total revenues, **10.5% increase** from 2019

Php 20.2 billion in total payments to providers of capital (dividends and interest payments)

Government and Regulators
We support the government via capital raising through government securities distribution, payment of taxes, facilitating remittances, and complying to regulations.

Php 21 billion in total payments to government

Php 62 billion total capital raised for the government

21% share in remittance market

Legend for capitals affected

Financial · *Human* · *Natural* · *Manufactured and Intellectual* · *Social and relationship*

Our contributions to the SDG

SUSTAINABILITY **AGENDA**

In 2020, we established the Board-approved BPI Sustainability Agenda which will guide the Bank on the integration of sustainability principles in the corporate governance and risk management frameworks, as well as in the strategic objectives and operations. We recognize the importance of integrating sustainability principles in order to create long-term value for our stakeholders and to positively contribute to an equitable society and healthy environment. Our Sustainability Agenda is guided by the provisions of BSP Circular 1085 on Sustainable Finance Framework.

ESG POLICY STATEMENT

We are committed to Responsible Banking. This means incorporating Environment, Social, and Governance (ESG) principles into how we conduct our business – how we resource, the products and services we offer, the customers we serve, and how we add value to our various stakeholders.

As a bank responsible for a meaningful share of the country's loans and deposits, how we allocate resources will have a significant impact on how we grow as a nation. Our governance is focused on the allocation of resources in a manner that promotes financial inclusion, the preservation of the environment, sustainability, and social good.

SUSTAINABILITY STRATEGY

Our sustainability objectives are embodied in our updated Sustainability Strategy Framework (Strategy) with the pillars of Responsible Banking and Responsible Operations. The Bank believes that Responsible Banking is the key to creating long-term value for all our stakeholders. The Strategy supports BPI's vision of Building a Better Philippines, and focuses on key ESG areas where the Bank can have the most impact.

Corporate Governance and the Environmental and Social Risk Management System (ESRMS) are critical enablers that allow the Bank to implement its sustainability strategy pillars of Responsible Banking and Responsible Operations.

Responsible Banking refers to financial products and services that integrate ESG criteria in business decisions, support economic growth that provides lasting benefits for both clients and society while reducing pressures on the environment and addressing social needs.

Responsible Operations is the management of environmental and social capital used in the performance of day-to-day operations.

SUSTAINABILITY GOVERNANCE

The Board of Directors, through the Executive Committee, has overall responsibility for sustainability-related issues, policies, targets, including the integration of sustainability principles, environmental and social risks (such as climate change and human rights) in the strategic direction of the Bank. The Sustainability Council, chaired by the Chief Sustainability Officer, is the senior management-level committee in charge of implementing the Sustainability Agenda of the Bank and reports to the Executive Committee.

The Risk Management Committee of the Board has overall responsibility of the Bank's ESRMS within the Enterprise Risk Management System.

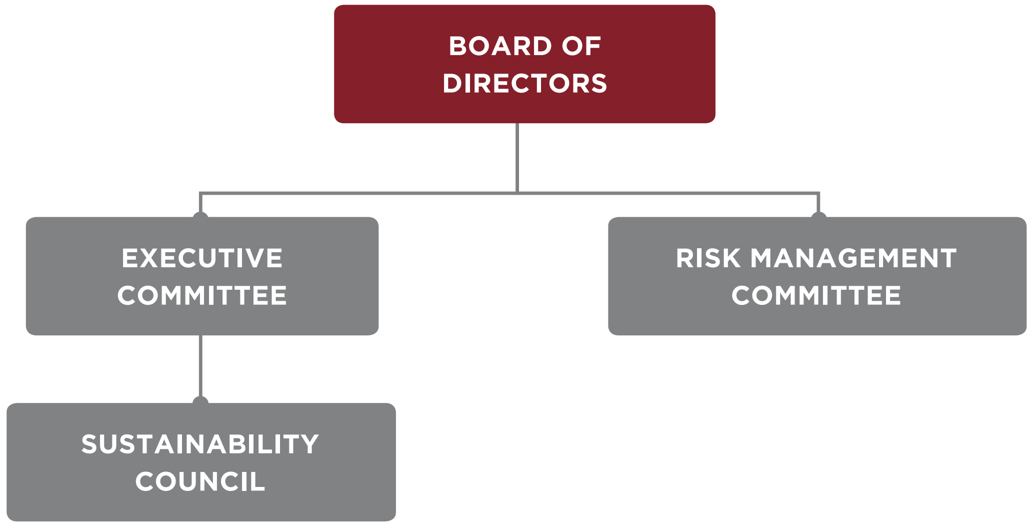
ENGAGING STAKEHOLDERS ON ESG

BPI, having always been a thought leader in sustainable banking, has continued to engaged with both internal and external stakeholders to share knowledge, promote awareness, and discuss ESG-related issues. This year, we included a discussion on basic sustainability concepts in business and BPI's ESG performance in our Officership Training Program. We also trained Relationship Managers, Credit Officers, and backroom personnel on Environmental Risk Assessment and use of Hazard Hunter.

Senior management was also invited to speak on various fora to share insights and experience on Managing ESG risks, the Bank's sustainability journey, and sustainable finance through ESG bonds. These include the WWF Webinar Series: Sustainable Finance Roadmaps for Banks and the Fund Managers Association of the Philippines (FMAP) Webinar Series on ESG Investing, and BAP Members' Training on Climate and Environmental Risks and Sustainable Finance, to name a few.

LOOKING AHEAD

We are working towards our commitment to sustainability by setting time-bound targets to our sustainability strategy, down to the business unit level, and eventually incorporating sustainability considerations in our performance appraisal process. We will continually take measures to inform, educate, and train our employees on ESG issues and sustainable finance.



For more information on our Sustainability Agenda visit www.bpi.com.ph

SUSTAINABILITY AGENDA PERFORMANCE HIGHLIGHTS

CORPORATE GOVERNANCE

Corporate governance policies and practices are embodied in the Manual on Corporate Governance

Institute of Corporate Directors (ICD) ASEAN Asset Class Award and ICD Golden Arrow Award

20% of the Board of Directors is comprised of **women**

ESRMS

Environmental & Social Risk Management unit under the Risk Management Office to provide support for the ESRMS transition plan

Environmental Risk Assessment (ERA) for the Bank's and its clients' assets

Inclusion of ERA in Internal Appraisal documents

RESPONSIBLE BANKING

More than **145,000 SEMEs** supported by **BanKo** through **Php 18 billion** cumulative microfinance loans since 2016

RESPONSIBLE OPERATIONS

Over **Php 500 million** spent to ensure employee health and safety against COVID-19

1,686 Financial education trainings conducted

More than **98,000 case count** for **InsuranceKo** Accident and Calamity Assist microinsurance

Disbursed around **Php 58.4 billion** to more than **111,000 SME** clients of **BPI Business Banking** in 2020

Issued **Php 21.5 billion COVID Action Response (CARE) Bonds** for MSMEs

Established Sustainable Funding Framework

47% of industry portfolio financed projects identified to contribute to the **UN SDGs**

Php 130.3 billion disbursed to renewable energy projects to date

67% of workforce, and **54%** of Senior Management positions comprised of women

2.4 million total training hours provided to employees

Over **7.7 million BPI Foundation** beneficiaries (non-unique count)

28.6% decrease in energy consumption from 2019

LED lights installed in **78%** of branches, and inverter-type aircon installed in **49%** of branches

Almost 31.5 million pages of paper saved, equivalent to 3,778 trees, as result of the eSOA project

BPI'S CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

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

Php 18 billion microfinance loans disbursed since 2016

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

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

487 persons insured by the Hospital Confinement Income Protection (HCIP) product of BPI/MS since 2019

BPI Century Tokyo Leasing (BPICTL) released **Php 394 million** through leasing arrangements for hospitals, clinics, and health centers in 2020

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

20.2% of the Board of Directors is comprised of women

54.2% of Senior Management is comprised of women

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

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

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

44.7% of BPI's outstanding loans to the energy sector is towards renewable energy

Php 28.5 billion disbursed to energy efficiency projects to date

Php 130.3 billion disbursed to renewable energy projects to date

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

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

Php 136 billion loans disbursed towards agriculture in 2020

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

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

Php 746 million loans disbursed towards the education sector in 2020

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

Php 3.2 billion loans disbursed towards water-related projects

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

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

90.8% of staff covered by Collective Bargaining Agreement

1,173 branches and branch-lite units, and more than 2,700 ATMs and CAMs across the country

More than **145,000** self-employed micro-entrepreneurs (SEMEs) supported through BPI Direct BanKo

Php 21.5 billion raised from COVID Action Response (CARE) Bonds

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

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

Php 31.9 billion disbursed to climate resilience projects to date

35% of outstanding loans in portfolio support SDG 9

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

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

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

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

35.3% decrease in energy and GHG emissions intensity by revenue from 2019

Completed the installation of LED lights in **78%** of branches

Completed the installation of inverter-type air conditioning units in **49%** of branches

3,170 kg of plastic, metal, paper, carton, and electronic waste turned over for recycling in 2020

Published Integrated Report using the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework

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

Reforestation of **52.13 hectares** of denuded rainforests through BPI Foundation, in partnership with Hineleban Foundation, in Lanao del Sur

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

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

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

Php 8.2 billion disbursed towards low-income housing projects in 2020

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

SDF data

US$ 413 million from 2 green bond issuances (see pages 68 to 69 for more information on eligible projects under the BPI Sustainable Funding Framework)

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

The Bank has a robust Money Laundering/Terrorism Financing Prevention Program (MTPP). This program also includes periodic and comprehensive Anti-Money Laundering/Combating the Financing of Terrorism (AML-CFT) training and awareness programs for members of the Board of Directors and all officers and employees.

ECONOMIC PERFORMANCE

The banking industry played a critical role in allowing the Philippine economy to continue to function during the COVID-19 crisis. Banks were able to ensure the availability of cash and provide credit to both corporates and households with the guidance of the Department of Finance (DOF) and BSP.

BPI helped facilitate meaningful and inclusive economic activity despite the difficult circumstances with the generation of financial value through our sustained business operations and distribution to our stakeholders.

Total economic value generated increased by 10.5% from Php 92.3 billion in 2019[1] to Php 102.9 billion in 2020. An aggregate of Php 74.6 billion was provided to suppliers, employees, shareholders, government, and community investments. The 12.9% decline in economic value distributed in 2020 was primarily attributable to adjustments made during the COVID-19 community quarantine such as reduced training costs following the shift to online training platforms, reduced operating expenses, and lower interest expense on deposits as impacted by the BSP policy rate cuts.

Php 101.9 billion
ECONOMIC VALUE GENERATED (REVENUE)

Php 74.6 billion
ECONOMIC VALUE DISTRIBUTED

Php 27.3 billion
ECONOMIC VALUE RETAINED

Php 15.4 billion
OPERATING COSTS
Payments to suppliers for materials, services procured, and other operating expenses

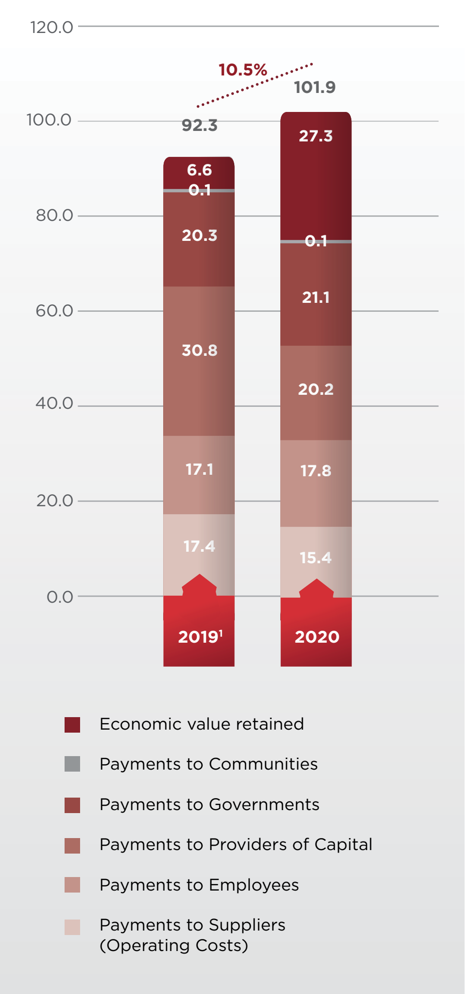
Php 17.8 billion
EMPLOYEES
Disbursements due to salaries, bonuses, and employee benefits

Php 20.2 billion
PROVIDERS OF CAPITAL
Dividends paid to shareholders and interest payments for deposits and borrowings

Php 21.1 billion
GOVERNMENT
Tax payments for corporate revenue streams (interest income, foreign exchange, security trading, fees, commissions, and other income), properties, operational transactions, and related penalties

Php 90.3 million
COMMUNITY INVESTMENTS
Donations and contributions to charities, including direct costs of BPI Foundation programs

ECONOMIC PERFORMANCE



[1] *2019 revenue restated following the deconsolidation of BPI Century Tokyo Leasing.*

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

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

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

EMPLOYEES – Providing learning and development programs, volunteer opportunities, as well as health and other benefits to our employees such as allowances for meals and transportation during COVID-19 ECQ and MECQ

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

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

MARKET OUTLOOK

The COVID-19 pandemic, which compelled the Philippines to impose restrictions on mobility, has resulted in a 9.5% economic contraction in 2020. The last time the GDP shrank by this much was more than 30 years ago, during the 1980s debt moratorium.

With the economy slowly reopening, local demand will most likely improve although a full recovery is not expected in 2021. The lack of foot traffic in malls and other public areas continues to dampen the demand for goods and services that involve human contact, while the decline in household income amid the pandemic has forced consumers to tighten their belts. However, e-commerce and the widespread use of delivery services are expected to cushion the decline in consumer spending.

The availability of a vaccine in the second half of 2021 may accelerate the recovery of the economy. We are expecting a 6.8% growth rate in 2021, coming from a low base in 2020. We also note that uncertainties still remain and may possibly pull down growth this year. A second wave of infection could overwhelm the health system and force the government to implement stricter restrictions, similar to the experience of other countries. In addition, government underspending may prevent the economy from building the needed infrastructure that can fast track its recovery.

PHILIPPINE COVID-19 STIMULUS RESPONSE

The national government has implemented stimulus measures to support the economy. Stimulus measures aside from support on the healthcare system have included direct distribution of cash and goods to the general public, short term tax and social security relief.

The government's fiscal response has been quite modest with on-budget spending increasing by 11.3% in 2020, slightly lower than 2019's full-year growth of 11.4%. Despite this, the country's budget deficit expanded from 3% in 2019 to around 7.6% of GDP in 2020 as collections of the BIR and the Bureau of Customs fell sharply.

The BSP, on the other hand, has been implementing more forceful measures to cushion the economy's contraction. It has reduced its policy rate by 200 bps from 4.00% to 2.00% and its reserve requirement ratio by 200 bps from 14% to 12%. These have been one of the most aggressive monetary policy responses among the major ASEAN economies in 2020. The BSP has also implemented unprecedented measures including purchase of government securities and easing of regulatory requirements on banks. These aggressive actions have been made possible by the stable inflation environment, which settled at average of 2.6% in 2020.

INFLATION AND INTEREST RATES

Looking ahead, we see upside risks that could keep inflation above 4% in the coming months. The distribution of vaccines may lift global demand and push oil prices higher. However, even at current levels, price of oil is expected to register a 200% year-on-year increase in the second quarter given the low base from last year. In addition, supply constraints especially in the meat sector will likely continue for the remainder of the year as the swine industry may take some time to address the impact of the African Swine Fever. Inflation risk along with the steepening of the US Treasury yield curve and additional borrowing from the government may exert upward pressure on interest rates.

EXCHANGE RATE

The Peso has been the strongest currency in Asia in 2020. The huge decline in the demand for US dollar as a result of the massive drop in imports and international travel has supported the local currency. Due to weak US dollar demand, the BSP has also been able to build up its Gross International reserves to a record high of US$ 110 billion as of December.

With the economy slowly reopening, we expect imports to recover in the coming months in line with the expected improvement in local demand. Hence, demand for US dollar may pick up and the exchange rate may move closer to Php 49 to a US dollar. Risk to this outlook includes public sector spending remaining below target, especially in infrastructure. With businesses still struggling, the lack of fiscal support and public construction may stall the recovery and dampen the demand for capital goods.

RISKS AND OPPORTUNITIES

MAJOR RISK AREAS	POTENTIAL IMPACT	MANAGEMENT & MITIGATION	RISK EXPOSURE	OPPORTUNITIES
CREDIT RISK & ASSET QUALITY - risk of loss due to a borrower or counterparty's non-payment of a loan or other credit accommodations (either the principal or interest, or both)	1) Deterioration of the quality of our assets 2) Decrease in our profitability due to an increase in loan losses	Comprehensive set of credit risk management policies, standards, and procedures covering- 1) Assessment of borrowers using credit risk rating models and credit risk scorecards 2) Use of eligible collaterals and legally-enforceable collateral documentation 3) Prompt identification and close monitoring of deteriorating credit exposures 4) Adequate review of loan classification and assignment of loan loss provisions 5) Strict remedial and collection measures for problem credits 6) Conduct of credit stress testing on loan portfolios 7) Use of data analytics for credit risk model development and recalibration	Increasing, but Mitigated	1) The enactment of the Financial Institutions Strategic Transfer Act will allow the Bank to unload its Non-Performing Assets to special purpose corporations. 2)The Government's support of the Electronic Commerce Act, which provides legal recognition of electronic data messages, electronic documents, and electronic signatures, will help promote digitalization and facilitate a more efficient lending process. 3) The Government Aid and BSP support on Restructuring Arrangements will enable banks to obtain better credit enhancements that may be in the form of security or collateral.
MARKET & LIQUIDITY RISKS - risk to earnings and capital from adverse movements in risk factors that affect the market value of instruments, products and transactions in the Bank's portfolio, and the risk arising from the potential inability to meet obligations to clients, counterparty or market in any location and in any currency at any time when they fall due.	1) Decline in earnings 2) Deterioration of the quality of the Bank's liquid assets; increased funding needs 3) Consequences from non-compliance to regulatory changes	Comprehensive set of Market and Liquidity Risk Management policies and standard procedures covering- 1) Measurement and monitoring of market risk exposures of trading and non-trading portfolios 2) Maintenance of adequate liquidity levels at all times 3) Establishment of a contingency funding plan 4) Conduct of stress tests 5) Enhancement of risk models and systems	Moderate, but Mitigated	Opportunities of a robust market and liquidity risk systems include- 1) Enhanced brand and deposit franchise particularly during stressed environments 2) Access to lower cost funding and liquidity to support the bank's activities 3) Enables the Bank to quickly respond to business & investment opportunities, given the controlled levels of liquidity and market risks.
OPERATIONAL & INFORMATION TECHNOLOGY (IT) RISKS - risk of loss due to inadequate or failed internal processes, people, and systems and risk of adverse outcome due to the use of or reliance on IT	1) Increase in operational losses 2) Disruptions in daily operations 3) Unauthorized access to our information assets 4) Inaccurate, incomplete, inconsistent, and/or unavailable information 5) Damage to our physical assets 6) Damage to our brand and reputation 7) Legal liabilities and tax implications 8) Consequences from non-compliance to regulatory changes	Comprehensive set of operational and IT risk management policies and standard procedures covering- 1) Identification, assessment, control/ mitigation, monitoring, and reporting of operational and IT risks 2) Risk management processes are embedded in business activity processes (e.g., product development and process enhancements) 3) Development and monitoring of Key Risk Indicators (KRIs)	Moderate, but Mitigated	Advanced operational risk management and systems provide opportunities to – 1) Increase operational efficiency by implementing process improvements and adapting new tools, which shall enhance the Bank's capabilities for a remote workforce arrangement/ mobility, and foster cross-function collaboration between various business units.

RISKS AND OPPORTUNITIES

MAJOR RISK AREAS	POTENTIAL IMPACT	MANAGEMENT & MITIGATION	RISK EXPOSURE	OPPORTUNITIES
		4) Loss event management process 5) Establishment of systems and programs on business continuity management, information security/ cybersecurity management, vendor management, and physical security management 6) Conduct of operational and IT risk management awareness and appreciation initiatives		2) Enforce dynamic strategies i.e. to think long-term while acting short-term thereby addressing clients' urgent needs, but at the same time improving and expanding current solutions 3) Offer and provide clients safe, convenient, fast, and timely solutions despite disruptions such as a pandemic through rapid digital adoption 4) Acquire and build a long term business relationship with a new group of adopters of digital solutions
BUSINESS & STRATEGIC RISKS - risk to earnings or capital arising from adverse business decisions or strategy, improper implementation of decisions, lack of responsiveness to industry changes, and/or incorrect assessment of changes in business	1) Decline in earnings 2) Increase in operational losses 3) Damage to our brand and reputation	1) Close monitoring of financial and operational performance, strategies, and policies 2) Development and monitoring of key risk indicators 3) Reporting to Senior Management and Board of Directors	Moderate, but Mitigated	1) Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) which will lower corporate income tax 2) Non-removal of interest rate cap on credit card loans 3) Entry/growth of Fintech, which may complement the Bank's digital transformation, and/or digital banks
ENVIRONMENTAL & SOCIAL RISKS - risk of adverse effects due to the impact on the natural environment and/or communities	1) Increase in operational losses 2) Damage to our physical assets 3) Damage to our brand, reputation, and social capital 4) Legal liabilities and tax implications 5) Consequences from non-compliance to regulatory changes	Delivery of shared value through the following activities- 1) Efficient use of resources and increased focus on digitalization viz-a-vis sustainability and risk management 2) Financial inclusion and wellness initiatives 3) Sustainable development financing 4) Industry-Academe initiatives 5) Vendor evaluation in terms of compliance to environmental and social standards 6) Environmental risk assessments of the Bank's and clients' physical assets 7) Promotion of investments in businesses, industries, and projects that contribute to the Bank's Sustainability Agenda	Increasing, but Mitigated	Enhanced environmental and social risk management bring opportunities such as – 1) Operational efficiency, resiliency, and longevity 2) New revenue streams and a potentially broader investor base 3) Improved reputation, and credibility of the Bank's brand 4) Agile in terms of responding to regulatory and policy developments 5) Increased level of employee engagement

STRATEGY AND PERFORMANCE

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

In 2020, we navigated through the unprecedented times brought about by the COVID-19 pandemic by initially focusing on safety and survival, and moved to ensuring operational resilience. For the near-term, we need to position for recovery by:

- Reallocating resources for future growth,
- Realigning our various asset portfolios,
- Boosting productivity to improve cost efficiency, and
- Transforming the organization.

If we do these right, it will allow us to win in our chosen market spaces.

Our strategic imperatives will continue to focus on five key areas:

- Growing our high margin businesses,
- Strengthening our funding franchise,
- Executing our five-point digital strategy,
- Deepening our client relationships, and
- Rationalizing our distribution channels to achieve further cost efficiency.

GROWING OUR HIGH-MARGIN BUSINESSES

Despite disruptions in operations due to the COVID-19 pandemic, we have not lost sight of our vision to capture the untapped potential of the small and medium enterprises, middle-class Filipinos, and the underbanked communities.

These segments were the most severely affected by the lockdowns, and as they progress towards recovery, BPI will continue to be their trusted partner for financial needs. Our processes and systems are poised to seize growth opportunities once demand for loans returns and mobility restrictions are eased. We will be a driver of consumer choice through our digital enhancements – more online features, services, and products for our customers, streamlined back-office processing, and greater flexibility to respond to their needs gleaned from our customer insight analytics.

We will accomplish this while upholding our prudent credit underwriting policies and processes, ensuring asset quality preservation and appropriate risk management of our exposures.

Refer to our business reviews on Business Banking, Retail Clients, and BanKo on pages 54 to 56, 41 to 46, and 56 to 57, respectively.

STRENGTHENING OUR FUNDING FRANCHISE

Our diversified funding mix of deposits and debt ensure ample liquidity and optimized cost of funds for the Bank.

As the main operating bank of our clients, we build ecosystems to capture working funds. We aim to become a one-stop shop that provides integrated products and services to our clients, via traditional and digital channels.

Our efficient balance sheet management also ensures prudent position taking, so that we are poised to grab trading opportunities in the market.

Our digital platforms have proven to be a vital tool in growing deposits in the corporate, SME, and retail banking segments particularly during the period of enhanced community quarantine when a majority of our branches were closed. Existing retail depositors could open another deposit account through our mobile app while the enhancement of cash management digital services via Bizlink played a crucial role in generating funding from our corporate and SME customers. As a result, we noted an increase in our low cost funding despite the weak market conditions and achieved record-high liquidity ratios.

The evolving regulatory landscape has also presented alternative funding opportunities. With lower reserve requirements on bond issuances vis-à-vis peso deposits, we continue to explore issuances in the domestic and foreign debt markets as opportunities arise. This allows for funding cost efficiencies while offering clients attractive investment opportunities. Despite the lockdowns in 2020, there was strong demand from the debt capital markets which led to the successful completion of our three bond issuances, all denominated in peso, including the country's first social bonds.

Refer to our business review on Global Markets on pages 58 to 59.

EXECUTING OUR FIVE-POINT DIGITAL STRATEGY

Our digital transformation strategies have evolved since 2016, recalibrated to align with the overall Bank strategy, progress made on our initiatives, and our response to market dynamics. The execution of our digital strategy is founded on these five points:

- Mobile first omni-channel experience to allow customers to open bank accounts in any branch and have all other subsequent transactions take place digitally.
- Shape the customer experience through tailor-fit service platforms to suit their needs based on data analytics and insights. Such is the case for our clients using Bizlink, an all-in-one digital platform which houses multiple products and services that extend beyond traditional cash management.
- High tech, high touch by allowing customers to conduct self-service transactions, branch operations can focus on specialized customer services.
- Open banking to be a key focal point of financial intermediation by serving customers in as many ways as possible by partnering with various fintechs who offer services like e-wallets and funds transfer.
- Industry class infra that is secure, reliable, and private, underpinned by the upgrade of our core banking systems. Our mission is to guarantee the security of our clients' financial assets while championing the education of clients on cybersecurity.

Our pillars of digital transformation are in place. We have the platform, people, analytics, and journeys equipping us with the technology, touch, insight, and understanding for the BPI of the future.

Refer to our business review on Digital Channels on pages 38 to 41.

DEEPENING OUR CLIENT RELATIONSHIPS

Traditionally our bastion of strength, we have solidified our foothold in the corporate space by helping Philippine conglomerates, large corporates, and multinational companies grow their businesses, manage their operations, and mitigate risks by:

- Becoming their main operating bank,
- Capturing their corporate ecosystem through our digital and traditional platforms, and
- Offering dynamic pricing on products and services while cross-selling other products such as the investment banking services of BPI Capital Corporation and investment products of BPI Asset Management and Trust Corporation and BPI Investment Management, Inc.

Our focus is on strengthening these relationships in the new normal while improving risk-adjusted returns.

Refer to our business review on Corporate Banking on pages 46 to 53.

RATIONALIZING OUR DISTRIBUTION CHANNELS TO ACHIEVE FURTHER COST EFFICIENCY

Our distribution strategy transformation involves the re-balancing of our traditional and digital channels.

The operational limitations brought about by the lockdowns, strengthened our view to continue to rationalize, consolidate, and optimize our branch network. We have deferred branch action for 2020 as we assess our framework for candidate sites, re-evaluate our branch operating model, and revisit the roles of branch personnel as well as the products and services we offer.

To further enhance customer service, streamline operations, and improve cost efficiency, we also announced in January 2021 BPI's merger with BPI Family Savings Bank, with BPI as the surviving entity, subject to regulatory and stakeholder approvals.

For our digital channels, we have embarked on accelerating the growth of BPI as "the Everyday Bank", through our open banking ecosystem and regular launches of new platform functionalities. Our objective is to find opportunities as we transform our digital operating model from "high volume-low value transactions" to "high-value transactions" typically executed in the branch.

BUSINESS REVIEWS AND CLIENT TESTIMONIALS

A TRUSTED LIFELINE FOR A NEW TOMORROW, TODAY

DIGITAL CHANNELS: A LIFELINE ONLINE

For many, there was no other choice. The thought that a virulent and invisible virus could be in the air we breathe forced us to stay at home. After the government imposed a lockdown in Metro Manila and many other areas in the country in March 2020, going online was the only way to go.

Fortunately, BPI, for the past few years, has been investing in its digitalization strategy to prepare for the future—one where digital solutions and processes take center stage, and physical interactions serve to enhance the overall customer experience. We call it the "phygital" approach, or the combination of physical and digital, where we become digitally based and physically enhanced.

COVID-19 has accelerated our journey towards more digitalization, giving us a glimpse of what is possible with our digital capabilities today. At BPI, we continuously build the Bank's digital capabilities to provide secure, intuitive digital experiences in our expanding digital ecosystem, on par with global best practices.

For many Filipinos, BPI has indeed become an indispensable lifeline that enables them to do important financial transactions without having to leave home.

ENABLING THE DIGITAL LIFESTYLE

In 2020, we added 650,000 new users for BPI Online, our online portal, increasing the number of clients we serve online to 4.4 million clients, who can now send money, pay bills, purchase goods and services, and even invest with just a few clicks or taps on the computer, tablet, or mobile phone.

We innovate, develop, and deliver digital platforms and self-service machines and maximize open banking business models that forge a strong "everyday banking" relationship with customers, while upholding the highest standards of security to sustain a safe banking experience for all.

We continuously expand our network of trusted app and website partners to make the shift to digital seamless for our customers. Through these partners, our clients are able to send and receive money, pay for their purchases, invest, travel with just a card for expenses, and enjoy a multitude of benefits wherever the internet is available.

This rapid shift to the digital lifestyle can be seen when, shortly after the crippling lockdowns, transactions surged for InstaPay transfers (interbank transfers), transfers via QR code, e-wallet loading, and loading for prepaid phones.

DEPLOYING RELEVANT BANKING FEATURES AND SERVICES

The pandemic hastened the release of banking features and services that our customers needed:

- **Digital deposit account opening.** In the first phase of this initiative, existing BPI account holders were able to easily open accounts using the BPI Mobile app. This initiative generated almost half a billion pesos in two months from its launch date.
- **More open banking partners.** In 2020, Dibz (parking and shopping app) and GetGo (Cebu Pacific rewards program) joined our community of partners, which now total 48, offering over 400 brands and services. This ecosystem is a key value driver in our menu of digital banking services, especially for customers forced to do their shopping and bills payments online.
- **More remittance options.** Through BPI to Cash, our latest remittance facility, sending money to loved ones has become so much easier. Only the name and mobile phone number are needed to send money. We partnered with Palawan Express, Cebuana Lhuillier, and MLhuillier, effectively expanding our reach for remittances. This made it easy for customers to send money to loved ones in far-flung areas.

With the Bank's roster of banking partners in place, clients have securely and conveniently experienced seamless transactions for 1) cash sending via BPI to Cash — Palawan Express, Cebuana Lhuillier, MLhuillier, 2) top-ups for e-wallets — GCash, PayMaya, GrabPay, 3) online shopping for goods and services, 4) popular shopping apps — Lazada and Shopee, 5) prepaid phones — Globe, Smart, Sun, 6) prepaid utilities — Meralco KLoad and Cignal Prepaid, 7) highway tolls such as EasyTrip and AutoSweep RFID, and prepaid transportation — BEEP card loading and BEEP QR code, 8) cashless on delivery — Transakto, and 9) SSS contributions, among others.

In 2020, open banking transactions totaled 59.6 million, valued at Php 130 billion, generating Php 453.5 million in income for the Bank.

STRENGTHENING CYBERSECURITY AMID THE DIGITAL SURGE

Cybersecurity has always been a shared responsibility. We take this seriously as we continue to educate customers about the latest online fraud schemes, invest in technology, and improve our processes to protect our clients.

In February 2020, we introduced the Mobile Key, a much stronger tool for authentication of financial transactions using BPI Online or BPI Mobile app. A more secure alternative to OTP sent via SMS, the Mobile Key uses a PIN or the client's smartphone biometrics for authentication.

Over 1.8 million BPI Online users have registered for the Mobile Key, securing more than 25 million transactions in 2020. In July 2020, Interbank Funds Transfer (IBFT) transactions became the first Mobile Key-only transaction. More BPI Online and app features will be shifting to Mobile Key-only authentication moving forward.

OPTIMIZING ATMs, PHONE BANKING, WEBSITE

The slowdown in withdrawal volumes brought about by the pandemic compelled us to rationalize the deployment of our ATMs. This resulted in cost reductions while improving operational efficiency, higher machine availability, and more strategic access to our ATM network.

ATM servicing and safety protocols have been improved to ensure the safety of the Bank's roving teams and our clients. Protocols such as wearing of PPEs, face masks, and face shields were in place. We adjusted our ATM servicing schedules and limited maintenance visits to limit exposure to other people.

A major enhancement of our hotline's backend systems resulted in shorter calls for customers as call traffic increased after the lockdowns were imposed.

In order to help customers find the information they need on our website much more quickly, we created a dedicated page for our COVID-19 efforts, which included information on the Bayanihan 1 and 2 laws for loan repayment relief, as well as other initiatives to assist customers.

To improve client care, we also upgraded our Contact Us page to simplify how our clients reach us without the need to email or call. Our credit card application process became the first bank product to deliver a fully online application process using our portal in 2020.

CENTRALIZED OPERATIONS GROUP (COG): ORCHESTRATING THE BANK'S DIGITAL TRANSFORMATION

The COG's mandate is to enhance processes to support our digital channels and facilitate transactions from the front line.

The following digital initiatives were undertaken in 2020:

• The delivery of secure electronic Statement of Accounts (eSOA) was implemented. BPI cardholders now get their eSOAs via email with SMS notifications or alerts sent though their enrolled mobile numbers. This replaces the traditional paper SOAs delivered via courier. With this, the Bank was able to achieve overall net cost savings of Php 68.6 million in 2020.

• By the end of 2020, the Bank's Robotics Process Automation (RPA) infrastructure was ready for testing the first set of processes for automation. In 2021, we expect our first "virtual workers" to be deployed in production, paving the way for digitalization in backroom operations. A number of processes are already lined up for automation via RPA, which will result in increased processing capacity and accuracy while dramatically decreasing the cost to serve.

RETAIL CLIENTS: ADAPTING TO THE NEW NORMAL

PRIMACY OF CLIENTS AND RESILIENCE

Even before the enactment of the Bayanihan 1 law, which called for financial relief for Filipinos, our subsidiary BPI Family Savings Bank (BFSB) offered a 90-day grace period and interest-free arrangement for existing auto and housing loans of front liners in the healthcare and military and police forces.

For us, it was the right thing to do for the sacrifices, hard work, and dedication of those serving our countrymen in this time of crisis. In compliance with Bayanihan 1 and 2, BFSB granted a grace period to all loans falling due within the ECQ period, and within the fourth quarter of 2020.

Our retail lending portfolio yielded mixed results in the 2020 environment of weak consumer demand. We managed to grow our mortgage loans by 6.6%, preferring more secure, collateralized loans. On the other hand, auto loans declined by 6.0%, mirroring the auto industry slump of 40.3% from what was supposed to be a recovery year post-TRAIN law. As mobility restrictions were eased towards the latter part of the year, we have noted the recovery of our retail loan releases by December 2020, compared to ECQ levels.

In 2020, we also launched the Step Up Payment Plan, the first and only loan solution designed to match customers' changing needs and capabilities throughout the different stages of their lives. The Step Up Payment Plan eases our clients' monthly cash-out by paying less during the early years of the loan, with incremental increases every year.

"For years, ALFM provided stable returns in my investment portfolio, which is perfect given my life stage and financial objectives. The fund provides stable growth and returns no matter what the economic situation is. This was once again proven during this time of pandemic. No other fund was able to provide such consistency in my investment portfolio. BPI also makes it very easy for me to transact and monitor any investment portfolio via BPI Online. I am truly proud and happy not just with the returns, but also with the service that BPI gives its clients."

– NORBERTO VIERA
Country Manager,
Amkor Technology Philippines

BFSB also launched the Multi-Year Protect which provides full insurance coverage that ends with the maturity of the auto loan.

CONVENIENCE OF CARDS

Through our credit cards, prepaid cards, and debit cards, we are able to help clients and encourage financial responsibility at the same time. BPI Credit Cards ended 2020 with 1.6 million credit cards in force, which generated customer billings of Php 148 billion, and resulted in Php 68 billion in credit card loans.

The COVID-19 pandemic significantly altered the business landscape. Extended quarantine periods and lockdowns shifted the purchasing behavior of the Bank's credit card customers from discretionary charges such as travel and luxury goods, to essentials and work-from-home equipment. Customers were no longer physically purchasing items in-store, and had taken to online shopping.

We quickly revamped our offers and launched new campaigns to become more relevant in the new normal. To bolster our online presence, the Special Installment Plan (SIP) Online was also launched, allowing customers to purchase big-ticket items from merchants like Abenson, and pay in light installment terms without having to leave their homes. We also launched an awareness campaign to promote credit card features that provide better security for online transactions.

In March, we enhanced our online application form, making it more user-friendly, with an upload functionality for supporting documents. In November, we also launched another online application form to enhance and quicken the credit approval process, allowing select customers to apply and receive a decision in under five minutes.

Given that this pandemic has brought about an unprecedented financial crisis, BPI has also engaged in several programs designed to alleviate the financial pressures of its clients. Aside from the fees waived as part of Bayanihan to Heal as One and Bayanihan to Recover as One Acts, BPI launched payment assistance programs, and Balance Conversion Special Installment Plans for clients entering delinquency as a result of the crisis. These gave clients lighter payment terms on their debts, while still catering to their other needs.

For 2021, despite the impact of BSP's interest-capping, the credit card business will continue to have a solid revenue stream. The Bank will keep on building its product offerings and digital channels to grow prudently.

We grew our BPI Prepaid Card card base by 31% driven by acquisitions through online channels targeting the millennial segment, posting over Php 3.3 billion in transaction volume. Amid the pandemic and rise in usage of the various digital wallets, BPI remained competitive by providing clients this affordable alternative to a deposit account.

In our commitment to further improve our products and provide better services, we also upgraded our Debit Card systems for clients to be able to use their

BPI Debit Mastercard for online purchases including subscription payments and purchases via a card-on-file or stored/enrolled card on site. Moreover, the ability to enable and disable e-commerce acceptance for the card via Card Control ensured security for online use. With the addition of e-commerce, our customers transacted a total value of over Php 65 billion, a 21% increase in billings, coming from 25.6 million transactions.

BPI Personal Loans, a no-collateral, multi-purpose loan with low interest, have allowed clients to avail of loans of up to three times their monthly income, and pay back in flexible monthly installments. Due to the effects of the pandemic in 2020, there was a 44% decrease in the accounts booked, ending the year with Php 3.2 billion in personal loan releases.

Despite the challenging year, clients were assisted through promos meant to bridge their financial gap such as the "Loan Now, Pay Later" promo, which gave the client a 60-day grace period in monthly installments, and the Special Rate offer for healthcare workers for as low as 0.55% interest rate per month. Furthermore, to help the existing personal loan clients who had difficulty in paying their monthly installment, the payment arrangement assistance program was implemented.

ASSISTING OVERSEAS FILIPINOS

Many Overseas Filipinos (OFs) felt the brunt of the pandemic as they were displaced by the economic upheavals in many countries across the globe. There are varying estimates of how many OFs will be coming home as a result of job losses in their places of work—from 50,000 to 400,000.

To help ease the burden on OFs in 2020, BPI worked with some of its remittance partners so that remittance fees could be waived for OFs who send money to their families in the Philippines. Some of BPI's partners who agreed to waive fees are: I-Remit, WorldRemit, Western Union, Kookmin Bank, Tahweel Al Rajhi, NCB Quick Pay, Enjaz and Bank Albilad,

"My initial goal in setting up my BPI account was to have a safe and secure avenue where I can put my savings. Little did I know that BPI is a lot more than just a vehicle for me to save. Through online banking and the mobile app, I was able to do my banking transactions with convenience and ease, not to mention the assurance that no matter what happens, my hard-earned money is safe and secure with BPI. During the lockdown, and despite the restrictions, I was able to meet my financial obligations including loan payments, online purchases, and bank transfers. The best part of having a Pamana Padala account is the free life insurance coverage. I can be confident knowing that my family will be taken care of no matter what."

– JACQUELINE JULIANO
overseas Filipino in Kuwait

Moneygram, and Remitly. Some of them also offered discounts and preferential rates for foreign currency exchange whenever possible.

We have noticed that a lot of senders are adopting digital methods of sending money back home. We are currently highlighting our abilities to instantly transfer money to bank accounts. Having direct partnerships with remittance institutions enables us to encourage more customers to send and receive digitally.

We also encouraged OFs to have a bank account for remittances during this pandemic. Having a remittance account enables OFs and their beneficiaries to send and receive remittances in the comfort of their homes. For OFs, we have BPI Pamana Padala, a remittance account that allows them to remit to their own account, and do fund transfers to their beneficiaries, anytime, anywhere.

It also has free insurance for OFs so that they can have peace of mind even if they are overseas. We also have BPI Padala Moneyger, an account for remittance beneficiaries so they can receive remittances safely, manage their funds via online and mobile banking, and withdraw only once needed. These remittance solutions are lifesavers during this pandemic for the OF family.

We also observed an increase in sending remittances via digital financial services in partnership with fintech players. Partners active in the digital space had double-digit growth. We foresee this trend to accelerate in the coming years as more OFs experience the convenience of these services.

Through the BPI Pinoy Abroad program, BPI has also introduced a compelling package of solutions for OFs aligned with their career lifestage, from the newly employed OFs to the retiree who look forward to going back to the Philippines for good. A series of webinars were also held to help OFs grow their funds amid the pandemic.

VALUE OF INSURANCE

BPI Philam and BPI/MS remained steadfast in providing the insurance products that clients needed in a year of crisis. For the fourth year in a row, BPI Philam was recognized as the Best Life Insurance Company in the Philippines by World Finance, an international finance magazine.

For 2020, BPI Philam launched MedLife Protect Plus, a peso-denominated variable life insurance product that provides medical coverage that takes care of 90% of medical costs, and life insurance benefit from age 0 to 80. It also launched the free COVID-19 Life Insurance Coverage campaign, wherein all BPI and BPI Philam customers were provided with Php 200,000 coverage each in response to the pandemic.

BPI Philam continued to advocate insurance in the middle of the pandemic. The shift to digital selling was a move that BPI Philam had already begun years before. It proved to be an advantage during the early months of the community quarantine. Having an employee force that was already digitally-savvy helped in the quick adoption of new processes and updated technology.

BPI/MS launched the Family PA 999 product in 2020, an affordable personal accident insurance product with a premium of Php 999 only for a one-year coverage of Php 500,000, exclusively for BPI clients.

A fleet motor insurance program was introduced to the Private, Preferred, and Personal Banking customers with multiple cars. With only one insurance policy issued for all the cars of the client, this provides more convenience to the clients since they only have to monitor one renewal date.

More convenient payment options were offered, including PayD, BPI's payment platform, and the Buy Now Pay Later program so that clients can pay their premiums using their credit card. Digital tools were also introduced. This included the motor claims video chat tool for filing motor insurance claims which enables contactless inspection of damaged vehicles through mobile phones and tablets.

Through BPI-Philam, we have assured about Php 239.3 billion against any untoward life events, with a total amount of Php 1.1 billion in claims for 2020. Through BPI/MS' suite of non-life insurance products, the total sum insured in 2020 for natural catastrophes amounted to over Php 3 trillion for typhoons, earthquakes, and floods. This shows the growing awareness of Filipinos on climate and natural risks.

"It is always comforting to know that someone is looking after your hard-earned money, especially in this ongoing pandemic where volatility is a constant. BIMI's fund managers never stopped watching over the shareholders' investments. Their customer service never faltered during the lockdown. They made sure that doing transactions for clients, who were safe at home, were executed as intended. My clients with active BPI accounts certainly found it easy to take advantage of the dips in the markets by making additional investments online using their mobile devices."

– RITCHE KRISTOFFERSON C. ISIDRO
Agency Manager, IntegraFinancials

ACCESS TO INVESTMENT SOLUTIONS

BPI Investment Management Inc. (BIMI) and BPI Asset Management and Trust Corporation (BPI AMTC) continued to provide the investment solutions for clients and surmounted challenges brought on by the pandemic.

By the end of 2020, BIMI's assets under management (AUM) grew to Php 194 billion, a 96% rise year-on-year as BIMI assumed management of the PhilAm Asset Management Inc.'s (PAMI's) nine mutual funds on top of a 24% organic growth in the nine existing ALFM-branded funds. BIMI's growth far exceeded the mutual fund industry's estimated growth of around 15% for the year. As a result, BIMI stretched its market leadership from 35% to an estimated 54% of the mutual fund industry.

The far-reaching effects of the pandemic brought about uncertainties and volatility as central banks and governments struggled to stimulate their economies through fiscal and monetary policy measures. Capital markets were not spared. With these market gyrations, BIMI continues to adhere to the principle of prudent risk-taking.

BPI AMTC, whose AUM grew to Php 854 billion in 2020, focused on client accessibility, relevant investment advisory, and consistent risk-adjusted returns. We continue to be committed to helping clients deal with the economic volatility by providing relevant and timely advice.

Consistent servicing and fund availability became a priority amid the pandemic. There were operational and logistical challenges, but, despite the safety protocols and guidelines that limit interactions with clients, we ensured that clients were fully informed of any changes that affected their accounts.

BPI Securities, our equity securities brokerage arm, has now over 80,000 clients. In 2020, we saw a surge in interest from retail clients, with the retail segment posting a year-on-year volume growth of 53.1%, fueled by interest in mid-cap companies and the expectation of a sharp recovery in earnings in 2021.

Because of this, we introduced some enhancements in our account opening process, implemented electronic Know-Your-Customer (eKYC), simplified onboarding, and formulated a stock screener that provides clients with quick information about stocks.

Overall volume grew by 31.7% year-on-year, outpacing that of the whole industry by 0.1% as 2020 also saw the maiden listing of Ayala Land's Real Estate Investment Trust (AREIT), which contributed Php 28.1 billion to our volume, and the Converge ICT initial public offering, which contributed Php 14.4 billion to our volume.

For 2021, we expect the continued interest of retail clients in the stock market. We will be offering new features and tools that include another upgrade to our online trading platform, BPI Trade, and a new mobile app. To complement our extensive research and sales coverage, we also plan to increase our online education and engagement through more webinars and podcasts that feature both basic and more advanced discussions on stock market investing.

CORPORATE BANKING: BUILDING STRONGER PARTNERSHIPS IN UNPRECEDENTED TIMES

BPI Corporate Banking's mission is to be the partner and enabler of our clients—multinationals, local conglomerates, and large corporates. We help them manage their operations efficiently, grow their businesses, provide care to their employees, and mitigate risks. Never before has this mission become more relevant than in 2020, with the pandemic threatening businesses and the Philippine economy as a whole.

In 2019 we reorganized Corporate Banking to consolidate client coverage, support, and product teams. This new set-up best positioned us to help our clients maneuver their business during this unprecedented time. There was tighter collaboration, faster decision-making, and streamlined communication within the organization, and as a result, we were able to provide the immediate response crucial to help our clients pull through during this difficult period.

Catering to 11,000 clients, several, programs designed to drive CASA volume were implemented to provide leads for the Relationship Managers (RMs).

The COVID-19 situation also amplified the need to work more closely with clients who initially had to deal with issues concerning liquidity, moving goods and delivering services, and enabling payments. We remained responsive to clients' credit needs with some adjustments and updates in our credit evaluation process. Our position was clear: to proactively take care of our clients and help their businesses weather through the tough times.

Relationship Managers diligently managed their portfolios, looking for indications if clients needed help with their cash flow. Customized restructured loans were offered to these clients.

We continue to work with clients to manage their risks and come up with more frequent assessments of the prospects of their businesses. The need to preserve resources and remain liquid is essential. With BPI steadfast in its commitment to its corporate clients, we will continue to build and enhance our products and services, our digital platform, and our relationships so we can look forward to a "better normal."

INNOVATIONS THAT LEAD TO EFFICIENCY

Cash Management. BPI's Cash Management forms an integral component in the Bank's strategic imperative to be the Bank of Choice for our corporate clients. We focused on 4 key pillars to achieve our goal: 1) reliable and efficient platforms, 2) service level as a differentiating advantage, 3) comprehensive suite of premiere digital solutions, and 4) continuous offering of first-mover solutions.

"With a relationship that spans more than 30 years, BPI is more than just a bank to us. It is our reliable business partner who has helped us grow our businesses through the years. Its people have always gone the extra mile in serving our needs, from setting up our payroll accounts to processing our LCs (letters of credit). Last year, we entrusted the IPO of our fixed fiber broadband business, Converge ICT Solutions Inc., to BPI as our Sole Local Coordinator and Joint Local Underwriter and Bookrunner. We look forward to keep growing with BPI."

– DENNIS ANTHONY H. UY
Chief Executive Officer,
Converge ICT Solutions, Inc

We cater to a diverse group of business customers covering conglomerates, large local corporations, multinational companies (MNCs), and micro, small and medium enterprises (MSMEs). BPI has a Cash Management customer base of over 37,000 companies. As a result of our planned activation campaign, the active customer base of Bizlink, our corporate digital platform, increased from 45% to 56% in 2020. The increased Bizlink activation rate translated to over 56 million digital financial transaction with a value turnover of US$ 58 billion, a 35% increase vis-a-vis 2019.

Because of the pandemic, many businesses were compelled to revisit and adjust their daily operational processes to ensure their employees' safety and their companies' financial stability.

The digital processes and infrastructure, especially in Cash Management, in collections and in disbursements, formed an integral part of business resiliency and continuity. For BPI, the thrust to promote digital banking among our customers remains to be a priority. In 2020, we introduced cost-effective and efficient digital solutions to aid our customers in this transition to the new normal. We delivered a strong performance in the launch of new digital collection products and initiatives.

One of the digital collection products introduced is the Remote Deposit Capture (RDC). Launched in August 2020, BPI is the first local bank to roll out a corporate check scanning facility. A corporate check scanning machine is installed in the corporate client's office. It facilitates the remote deposit of their corporate checks without necessitating a physical visit to the Bank's branch. We foresee an increase in demand for RDC and a deployment of 100 scanners by June 2021.

Another notable digital collection initiative is the Electronic ADA (automatic debit arrangement) Enrollment. BPI is the first local bank to implement a fully digitized ADA enrollment solution in the market. This resulted in the improvement and turnaround time to enroll payor accounts and reduce enrollment rejection rate (due to mismatched account names and signatures and errors in account numbers). ADA is a digital collection facility in BPI Bizlink, the Bank's online banking platform for corporates. It allows a corporate biller to collect payments from its retail payors/subscribers by directly debiting their pre-enrolled BPI accounts on a real-time basis.

With the increased demand for digital bills collection, we launched 11 Generic Modulo formats in June 2020 for validating the unique reference numbers as encoded by the retail payor when the individual initiates a bills payment transaction online. This aids billers in their reconciliation of bills collection transactions, and avoids float items in their accounts. We were able to reduce the merchant/biller onboarding turnaround time to one week.

Another digital initiative we introduced in Bizlink is the Cross Border Funds Transfers (CBFT) which facilitates a customer's payments to offshore counterparties whether trade-related (foreign supplier payments) or non-trade payments. CBFT removes the tedious task of accomplishing paper-based documents for their regular or frequent offshore payments. Furthermore, the facility allows customers to save templates for future use. Hence, they need not re-encode beneficiary or remittance details for recurring payments.

On sales efforts, we launched a series of digital webinars in May 2020. The series was called "Let's Be Digital: Banking in the New Normal". It aimed to increase awareness of the digital banking services that can help businesses manage their cash flow efficiently and continue their business operations. We targeted customers not yet enrolled in digital banking solutions in BPI Bizlink.

ADVOCATING SUSTAINABILITY THROUGH CORPORATE LOANS

Sustainable Finance. BPI's Sustainable Development Finance (SDF) program, enables both SMEs and large enterprises to plan, implement, and manage sustainable and green projects that help reduce greenhouse gas (GHG) emissions and climate-proof their businesses, ultimately contributing to the United Nations Sustainable Development Goals (UN SDGs).

The SDF portfolio is composed only of projects that have gone through technical and financial evaluation to ensure that they meet global standards for being green, are designed to achieve higher business productivity, efficiency, and profitability, while ensuring resilience to climate and environmental risks. To date, the SDF has facilitated 355 cumulative projects funded, amounting to over Php 190.75 billion. Total loans disbursed in 2020 was Php 49.49 billion.

BPI, led by its Specialized Lending Division, was also the first bank to have signed a partnership agreement with the Philippine Guarantee Corporation (PhilGuarantee), the sole credit guarantee institution of the Republic of the Philippines. This credit guarantee facility allowed BPI to get a 50% guarantee cover to assist self-employed and MSME clients, under BPI Direct BanKo and Business Banking, who have been adversely affected by the pandemic.

"BPI has always been a trusted bank for AC Health. 2020 was an especially challenging year for all of us, especially for the healthcare industry. By providing essential financial services even amidst this crisis, BPI supported the implementation of our transformation plan to make our businesses more resilient. In addition, we are grateful to BPI Foundation for its contribution to our Qualimed COVID hospitals and testing laboratories. Overall, BPI is not only a trusted banking provider, but has also become a true partner in providing healthcare services to many more Filipinos in this time of need."

– RUBY P. CHIONG
CFO, AC Health

"We truly appreciate BPI Capital for acting as one of our financial advisers for the realization of our business transformation plan. Subsequently, BPI was also the first commercial bank that confirmed participation in our syndicated fundraising activity. The airline industry is one of those hardest hit by this pandemic, and we are grateful for BPI's support during these challenging times."

– ANDREW L. HUANG
CFO,
Cebu Pacific Air, Inc.

Expanding and updating its 2010 to 2014 "Business Risk Assessment and Management of Climate Change Impacts" study for 16 cities in the Philippines, BPI pursued the assessment of the country's natural hazard exposure to cover 1,700 cities and municipalities of the country. BPI further pursued the asset risk evaluation of its clients' and the Bank's exposure to such risks using the Hazard Hunter system—a first for a Philippine bank. Hazard Hunter is a free online tool produced by PHIVOLCS and funded by the Department of Science and Technology (DOST) which provides updated information on the susceptibility of Philippine locations to natural hazards.

In 2020, BPI started its Environmental Risk Assessment (ERA) initiative which involved the mapping and evaluation of the Bank's and its clients' assets (initially business sites and collateral data) for their risk exposure to natural hazards, like earthquakes, flooding, typhoons, as well as volcanic eruptions.

Equipped with the ERA results, BPI lending officers help clients determine corresponding risk-mitigating measures which include structural, technological, and engineering interventions aimed at damage prevention, resilience, and compliance, as well as appropriate insurance coverage. The ERA exercise aims to protect both the clients and the Bank from business interruption and losses caused by climate and environmental hazards and catastrophes.

BPI is further intensifying client education, market awareness, and capacity-building initiatives with regard to ERA. We aim to help clients understand that with the increasing intensity and frequency of natural disasters and catastrophes in the Philippines, they must act decisively to deal with the risks which can be avoided, mitigated, transferred, or insured.

SDF also continues to engage multilateral agencies, industry partners, technical consultants, risk sharing partners, credit guarantors, and private organizations focused on public education and training of the banking and finance sector to promote green and sustainable projects, as well as climate and environmental risk preparedness and resilience.

We continue to prudently grow our green and sustainability loan portfolio with focus on clients who have projects that pass minimum standards for sustainability, e.g., 15% electricity savings for EE projects, compliance with Renewable Energy Policies and Standards, minimum savings of 20% each for energy, water, and embodied energy in materials or IFC EDGE Standards for Green Building projects, as well as specific requirements on biosecurity, health, efficiency, environmental impact, etc., for SA projects. All these, combined with environmental risk mitigating measures based on ERA results, serve as pre-requisites to qualify under the SDF Program.

FinanceAsia, an international finance publication, awarded BPI as the Best Sustainable Bank in the Philippines in 2020. This award acknowledges the Bank's pioneering achievements in Sustainable Energy Finance, Green Bonds, and financing related to the UN SDGs.

BPI's Structured Finance Division (SFD)—which focuses on evaluating specialized loan deals including project finance, cross-border, and various types of structured credits—continued to support renewable energy projects. SFD participated in Star Energy Geothermal's US$ 1.10 billion senior green bond, of which US$300 million was disbursed in 2020. Another US$ 396.62 million (Php 19.83 billion) was disbursed for pure-play renewable energy players, bringing total cumulative disbursements to US$ 2.39 billion (Php 119.27 billion) for sustainable energy projects, which are estimated to reduce GHG emissions by 27.64 million tCO2e per year.

SFD, along with its counterparts, are seeking ways to further grow its renewable energy portfolio in a bid to help address climate change, and will continue to proactively pursue infrastructure projects, both local and offshore, that will boost productivity and promote inclusive growth.

Agribusiness Solutions. BPI has been one of the financial institutions to be at the forefront of the country's agribusiness sector. The BPI Agribusiness unit is also involved in cascading technical trainings to the Bank's account officers, equipping them with knowledge to give appropriate advice to clients who may venture into agribusiness.

BPI Agribusiness proactively supports our local hog farmers by providing loan facilities to improve their farm facilities and enhance their biosecurity checks to mitigate possible infection in the farm. BPI partnered with Pig Improvement Company (PIC) Philippines in holding a webinar in October 2020 where economic insights were shared, and where PIC discussed strategies to seize the opportunities brought by the African Swine Fever (ASF) epidemic, including good genetics and ASF prevention and containment schemes.

As we cautiously tread towards recovery, BPI remains committed to supporting sustainable growth of the agribusiness sector, through its financing programs that can be used in the modernization of farm facilities that may improve both production and cost efficiencies.

RECALIBRATING STRATEGY OF THE LEASING BUSINESS

BPI Century Tokyo Lease & Finance Corporation (BPICTL) is a joint venture formed in 2014 between BPI and Tokyo Century Corporation (TCC), one of the biggest leasing companies in Japan.

In December 2020, TCC acquired from BPI an additional 2% stake in BPICTL, paving the way for TCC to direct the growth of the rental business under BPICTL's subsidiary, BPI Century Tokyo Rental Corporation. It aims to be the leader in asset financing through its Overseas Lease (OL) and Full Service Operating Lease (FSOL) products.

BPICTL also started the requirements definition phase for its new IT system, Lease and Finance Account Management Portal (LAMP). Migrating to a new system is expected to improve the turnaround time of certain processes, eliminate previous inefficiencies, and generally pave the way for enhanced product delivery.

"Through our work together, Bank of the Philippine Islands and Wells Fargo serve the money movement needs of our collective customers in the Filipino American community in the United States and their families in the Philippines. With the onset of the global pandemic in 2020, we were proud to team with BPI and ensure that convenient and secure services continued to be available and ready to support the transfer of essential funds for families across the Philippines at a time when those funds were needed as much as ever before."

– DANIEL AYALA
Executive Vice President,
Head of Global Remittance Services,
Wells Fargo N.A.

> "The Bank of the Philippine Islands has helped JFC expand its business in the Philippines and abroad. In the Philippines, over the past few years, it has helped us finance the store network expansion of our brands and the increase in our supply chain capability. It has also helped us raise funds to finance our acquisitions and strengthen our financial position by being the lead domestic bank in our bond issuances in 2020. We are pleased with the Bank's ability to act swiftly and decisively to help us take advantage of business opportunities and to respond to our needs particularly during the pandemic."
>
> – YSMAEL V. BAYSA
> CFO,
> Jollibee Foods Corporation

While business generally slowed down in 2020, BPICTL looks forward to promoting FSOL in the years to come. Steps were already gradually taken to introduce the product and how it can support clients' growth. As more companies shift from owning vehicles to just renting them, FSOL shines as the product of choice of many MNCs. The challenge now for BPICTL is to improve the existing product and support services in order to keep clients, especially MNCs who abide by global standards, and gain new ones as well.

BPICTL will focus on assets that are considered less risky such as vehicles. Organic expansion will also be prioritized through process and people improvement, strengthening opportunistic and strategic partnerships, and further development of products, especially FSOL.

SUPPORTING ECONOMIC RECOVERY THROUGH INVESTMENT BANKING

BPI Capital Corporation has invested in and built an investment bank that is strong and relevant in the core and key disciplines of investment banking: Project Finance, Structured Finance, Debt and Equity Capital Markets, and Advisory. We have maintained our leadership in the banking and finance industry by advising and underwriting several benchmark transactions. We have been able to harness BPI's placement power through institutional, corporate, high net worth, and retail customers, ensuring extensive product distribution. BPI Capital is able to leverage on the robust network, client base, and existing platforms of BPI.

In 2020, BPI Capital, ranked first among local investment houses in the Philippines Bloomberg League Table, has successfully implemented notable deals. We led one preferred shares offering and two initial public offerings, including the listing of AREIT, the first REIT to be issued in the Philippines, from December 2019 to November 2020, with a combined issue size of Php 61.70 billion.

BPI Capital actively arranged, underwrote, and participated in two corporate notes issuances, 13 peso-denominated bond issuances, and six US-dollar denominated issuances in 2020. Total issuances were at Php 178.33 billion and US$ 3.45 billion, respectively. The past year has also been a landmark year for ESG bond issuances. In 2020, BPI Capital successfully priced Manila Water Company, Inc.'s US$ 500 million ASEAN Sustainability Notes, the single largest Sustainability Bond issued by a listed private water utility in Asia and the first ASEAN Sustainability Bond by a corporate issuer out of the Philippines. It was soon followed by the successful pricing of BPI's Php 21.5 billion COVID Action Response (CARE) Bonds, the country's first peso-denominated bonds to be issued as a direct response to the COVID-19 pandemic. These issuances are aligned with BPI Capital's commitment to achieve positive environmental and social outcomes by creating value for its stakeholders, its clients, and the communities it operates in.

FACILITATING RELEVANT REMITTANCE AND FUND TRANSFER SOLUTIONS

From March to September 2020, BPI waived fees for Instapay and PesoNET interbank transactions to help ease the burden on Filipinos caused by the pandemic. Beginning October 2020, the Instapay fee was cut from Php 50 to Php 25. There was a significant increase in transactions for both PesoNET and Instapay as clients shifted to digital payments and funds transfers to avoid going out of the house or office. Through our domestic remittance partners, we launched the remit-to-account (RTA) service, which allows Filipinos to send money from the remittance partners directly to a BPI bank account.

We forged new remittance tie-ups and strengthened partnerships with existing ones. We also observed that because of the lockdowns, a lot of clients shifted from sending via brick-and-mortar to digital. Partners active in the digital space grew double digit, lessening the impact of closures of money transfer services. BPI worked with nine of its remittance partners for the waiver of remittance fees for OFs who send money to their families in the Philippines. We also launched our online feature to track the status of remittances pre-log in.

BUSINESS BANKING: HELPING SMES NAVIGATE CHALLENGES

Even before the pandemic, SMEs continue to face numerous growth challenges, including technical capacity, difficulty in accessing outland markets, and most notably, limited access to financial support. COVID-19 has exacerbated their situation.

BPI Business Banking's vision is to become the partner of choice of SMEs in the Philippines, addressing their day-to-day as well as their long-term needs through fast, simple, and convenient solutions.

With the onset of the lockdowns, BPI Business Banking continued to provide tools to help SMEs to better manage their cash flows, raise capital, and offer financial advisory to increase their economic potential.

COVID-19 response. We also launched several initiatives to help SMEs deal with the challenges of doing business when people are forced to stay home. Among them were the BPI CARE Bonds for the financing and refinancing of eligible MSMEs under BPI's Sustainable Funding Framework. Through the Bayanihan 1 and Bayanihan 2 Acts, we were able to give 90-day and 60-day reprieves on principal or interest payments, or both, for loans without penalties.

BPI Business Banking also launched the interest discount initiative wherein small businesses with interest rates above 8% were given a tiered discount from July 16 to December 31, 2020, on eligible due dates.

We also released tailor-fit products for SME clients for their various needs – from funding their working capital or their business expansion to securing their assets. In 2020, new simple and convenient products were launched to make raising capital easier and faster for them:

"At the time when COVID-19 was spreading as fast as it could, everyone felt fear, doubt and uncertainty. It was during that time that BPI reached out to me and asked how we were and how our business was affected. They shared the Bank's outlook and it gave me confidence knowing that they will be there to support me and our business expansion plans. I also appreciate the efforts of my Business Loan Officer who was always there to assist me in securing whatever requirement I needed for my existing credit line and the new construction loan I was applying for. I am confident that my plans will push through in 2021. During the times of doubt and uncertainty, BPI assured me of their support. I now face my business future with confidence."

– JV HABALO
Owner, Virtual Realty Inc.

• Zero Collateral Loan for Preferred Depositors. A term financing intended for existing SME depositors with loanable amounts based on deposits and transaction flow in the Bank.

• Distributor's Circle. A loan program that aims to provide financing for the permanent working capital requirements of SME wholesalers/sub-distributors referred by selected BPI anchor clients from various industries.

• Merchant Loan. A loan campaign dedicated to support businesses engaged in malls or commercial areas, for working capital needs. It offers a clean loan and allows for a three-month grace period on principal repayment for additional financial support.

• Business Technology (BizTech) Loan. A loan campaign envisioned to support businesses in embracing digitalization, designed to support businesses in financing their needs for connectivity and Information and Communications Technology (ICT) solutions.

• Business Franchise Financing. A term loan facility offered to various franchisees for their working capital or expansion needs. It offers a collateral free arrangement with an optional grace period for a maximum term of up to three years.

BizTalk Online Webinars. The BizTalk Online webinar series is the continuation of BPI Business Banking's promise to provide business insights and trusted advice to our clients. Our BizTalk Online helped to equip clients with the knowledge and expertise to help them navigate through the challenges of the ever-changing business environment.

Through a digital platform that can be easily accessed by entrepreneurs without having to leave their place of business or homes, BizTalk Online provided an avenue where ideas, innovations, and best practices are shared among SMEs, while giving importance to their safety and well-being. In 2020, we organized eight BizTalk Online webinar sessions with about 1,540 SME clients from different businesses and industries. The webinar covered the following topics: Maximizing Technology Towards the New Reality, Facing Challenges Through Innovation, Understanding Your Customer and Rebuilding Your Business, Understanding the Economic Outlook Amid Unprecedented Times, How to become a Competitive Entrepreneur, Pivoting Towards Business Continuity and Resilience, How to Become a Digital Entrepreneur, and How to Become a Thriving Entrepreneur.

"I started my first business, Maxximiler Distributors Inc., in Bacolod and Iloilo 25 years ago. Maxximiler is in the fast-moving consumer goods industry. We were doing good as more brand owners decided to partner with us for the region we were operating in. BPI helped me grow by providing clean lines to fund the expansion. However, in 1997, the currency meltdown struck the country and interest rates increased by more than 200%. I presented this predicament to BPI, and we agreed on better terms that would help the company stay afloat. In the next 24 years, the partnership flourished and led us to establish five more companies. I will always remember BPI in my humble beginnings."

– JOEY MEMPIN
Owner of Mempin Group

"GGK is a car wash stop by day, and a restaurant by night. During the lockdown, we had to close the restaurant for seven months. My main priorities at that time were our staff, who lost their jobs and sources of income, and finding ways to settle my payables. I was motivated by these challenges to find a way to start the GGK Asians Food Mini Mart to sell food essentials and needs. During this time, BPI reached out to me and offered me an opportunity to avail of a loan. This enabled me to put up a branch in Magalang, Pampanga. Since our opening, the shop became a hit with customers, and people started asking about franchising. Now, we have grown into six branches in Magalang, Mabalacat, and Angeles. Even if we suffered during the pandemic, with the help of BPI, I was able to recover and help more people who had no work by providing them with jobs in the different branches of my shop."

– CJ GUIDO PAGUIO
owner of Guido's Garage Kitchen and GGK Asians Food Mini Mart

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

Digitalization. Applying digital technology would help organizations achieve near real-time fulfillment, provide contextual personalization, and enable increasingly problem-free user experiences. BPI Business Banking will continue to automate and digitalize in order to build connectivity and efficiency. These system enhancements will also allow us to tap and leverage an ever-growing ecosystem of partners, and provide opportunities for co-creating new products, capitalizing on external expertise and collective innovation as well as pursuing new markets, sales channels, and customer touch points.

BANKO: CONNECTING MORE WITH MICROENTREPRENEURS

BPI Direct BanKo, Inc. (or BanKo) is the microfinance arm of the BPI. Since 2016, it has endeavored to improve the economic well-being of thousands of Filipino self-employed micro-entrepreneurs (SEMEs) nationwide by creating an enabling business environment for them.

True to its mission of empowering the *Negosyanteng Pinoy,* BanKo has made formal financial services more accessible and affordable to the unbanked and underserved segment of the population, and provided them with an opportunity to grow and expand their businesses. It has increased its presence in more communities, releasing Php 18 billion in loans and servicing 145,000 unique borrowers in over 300 branches and branch lite units located in 71 provinces.

"I have been a client of BanKo since 2018. As a retailer of consumer goods and feeds, I was able to open branches and buy a multi-cab with the loan from BanKo. Even if 2020 has been a challenging year for me, I am confident of the recovery of my business. I recently applied for a loan to open another branch since sales have picked up and I have more consignors. Today I have eight employees and I help send young people to school. I am very grateful for the opportunities that BanKo has given me."

– CINDY CAMALE
BanKo client from Iligan

The Bank's primary product is the NegosyoKo loan, a microloan that allows SEMEs to fund their businesses easily. The microentrepreneurs, considered as the backbone of the economy, are classified under the following categories: wholesale and retail trading (market stalls, sari-sari stores), manual services (hairdressers, auto repair shop owners, tailors), food services (mini-eateries and bakeries), manufacturing (furniture, handicrafts), and agriculture (animal product farming).

In addition to NegosyoKo loan, BanKo continues to serve the SEMEs with a holistic view of clients' requirements. PondoKo is an interest-bearing savings account with no maintaining balance that will enable clients to build up their funds. Through PondoKo Savings, they can also conveniently conduct transactions such as Buy Load, Send Money, Pay Bills, and Pay Loan via BanKo Mobile. InsuranceKo is a personal micro insurance product designed to protect SEMEs from unforeseen events, with BPI/MS as insurer.

Connecting with clients during the crisis. BanKo's philosophy highlights the importance of developing and nurturing interpersonal relationships with clients and being reliable in times of need. This distinct brand of customer engagement was evident in 2020, when BanKo employees took on a more proactive role in helping clients recover from the challenges brought about by the COVID-19 pandemic and natural disasters.

BanKo ramped up its disaster response efforts for clients directly affected by the eruption of the Taal Volcano by offering a deferred payment program to clients in areas directly impacted by the eruption, allowing qualified clients to pay at a later date without penalties.

To help the clients adapt to the pandemic, BanKo offered different programs tailor fit to their needs, such as loan restructuring programs, loan rehabilitation, term extension, loan re-availment, and the like. As Negosyo partners, BankoMares and BankoPares went above and beyond their call of duty by continuing to personally check on their clients and service their banking needs.

"Because of the pandemic, the price of bananas dropped and my profits went down too. I availed of the Rehab Fund of BanKo to be able to pay for the salaries of my laborers and buy fertilizers and insecticides. I thank BanKo for helping me sustain my business in this pandemic."

– RAYNOL ALQUIZA
Banana farmer from Montevista, Davao De Oro

When the government imposed community quarantine measures in many areas due to the pandemic, most branches remained operational in order to serve the urgent needs of its customers. The Bank also offered a 30-day grace period and a term extension program, especially since 80% of the client-owned businesses had to cease operations because of the community quarantine. To help clients adjust to the new normal, BanKo personnel endeavored to educate and encourage clients to go digital by promoting the use of the BanKo Mobile app.

BanKo clients who were affected by Typhoons Ulysses and Rolly were given the opportunity to avail of a cash assistance program via Secure Assist.
In spite of the setbacks encountered in 2020, the Bank was able to achieve its targets for the year, including opening four additional branches. A total of 100,331 loans amounting to Php 6.87 billion were released.

Creating resilient microentrepreneurs. As BPI's vehicle for financial inclusion, BanKo's long-term vision is to make a significant contribution in nation-building as it enables its SEME clients with the tools and expertise for business growth.

Clients have considered BanKo as their partner in progress. To date, BanKo was able to help change the lives of more than 100,000 Negosyanteng Pinoys, and will continue to strengthen its commitment towards sustainable development and nation-building.

"I used my first loan in 2017 to buy crabs and put up a stall at the public market. After I year, I availed of a second loan and started shipping my products to Laguna, Manila, and Occidental Mindoro. With my third loan, I was able to open a grocery store. Because of my business and the help of BanKo, I was able to build a house for my family, set up a fish pond, and purchase six hectares of land."

– MELINDA DILAG BELINARIO
Crab seller and distributor from San Jose, Occidental Mindoro

GLOBAL MARKETS: LANDMARK DEALS TO AID RECOVERY

BPI Global Markets manages the Bank's resources through multi-currency liquidity and portfolio management, position-taking and trading in financial markets, and distribution of foreign exchange, multi-currency fixed income investments, as well as derivatives and hedging solutions.

As part of the overall management of BPI's balance sheet, an adequate level of multi-currency liquidity is maintained to support the day-to-day operating and funding requirements of the entire Bank. In line with the Bank's overall focus on creating value for both the Bank and its stakeholders, Global Markets also undertakes funding activities that improve its capacity to provide financing support to clients in various sectors, especially during the global pandemic. Efforts such as the issuance of social bonds enable the Bank to further grow its balance sheet to supplement other initiatives that aid economic recovery.

To maximize return on liquidity, surplus funds are strategically deployed in domestic and cross-border securities, and alternative investments that increase portfolio yield and accrual income. Return on capital is also further improved by tapping external funding sources in various currencies, with the objective to pursue yield-enhancing portfolio strategies given favorable market conditions.

For the trading and flows businesses, a combination of calculated risk-return trading execution and synergistic collaboration with distribution teams has enabled the Bank to maintain an active presence in liquid markets for currencies, rates, credits, and derivatives. BPI's market share has grown, further aiding in the Bank's sales effort of providing competitive pricing to clients.

The team's adaptability to the evolving market landscape, paired with a clear understanding of the clients' needs, has continually enabled BPI Global Markets to deliver the highest quality of service to its clients with unparalleled dedication and excellence.

In 2020, Global Markets tapped the debt capital markets three times, with each issuance being met with overwhelming success. All three issuances have been oversubscribed, reflecting investors' confidence in the Bank's credit strength and its commitment to provide ample support to micro, small and medium enterprises (MSMEs) amid challenging circumstances.

Php 15.3-billion 2-Year fixed-rate bonds due 2022. On January 24, 2020, BPI issued its 2-Year fixed rate bonds with coupons priced at 4.2423% per annum. This listing was more than five times oversubscribed due to strong demand from both retail and institutional investors. The bonds, which reached over Php 15 billion in issue size, aim to increase the ability of the Bank to raise financing in support of SME and microfinance businesses, among others. This issuance and listing marked the first listing for the year, taking advantage of the lower reserve requirements for bonds and supporting the growth of the capital market.

Php 33.9-billion fixed-rate bonds. On March 27, 2020, BPI issued its second peso fixed rate bond offering for the year, raising over Php 33.9 billion, exceeding its initial target size of Php 5 billion by over six-fold. The bonds hold a tenor of one and a half years and an interest rate of 4.05% p.a., paid quarterly. The Bank's second offering is aligned with its strategy to grow and diversify funding sources to further increase its capacity to deliver relevant financial services to more Filipinos.

Php 21.5-billion CARE Bonds. On August 7, 2020, the Bank successfully issued CARE Bonds due 2022, the country's first peso-denominated bonds to be issued as a direct response to the COVID-19 pandemic. The CARE Bonds was issued as the third tranche of BPI's Php 100 Billion Bond Program. The listing was more than seven times oversubscribed due to strong demand from investors. The proceeds of the CARE Bonds will be used to finance and refinance eligible MSMEs under the Bank's Sustainable Funding Framework. The SEC has confirmed that the CARE Bonds qualify as Social Bonds under the ASEAN Social Bonds Standards in the Philippines.

The CARE Bonds hold a tenor of 1.75 years and an interest rate of 3.05% p.a., paid quarterly in arrear, with the minimum investment amount set at Php 1 million, with increments of Php 100,000 thereafter.

Facing the year ahead, the strategic focus of BPI Global Markets is to take the necessary steps to ensure that the Bank has ample liquidity in anticipation of rising non-performing loans due to the ongoing pandemic.

RESPONSIBLE **BANKING**

FINANCIAL INCLUSION

As a financial institution, an important contribution BPI can make to sustainable and inclusive development for the country is through financial inclusion, ensuring that Filipinos have access to financial products and services. We have expanded financial access to Filipinos, especially the underbanked through credit, savings, insurance, financial education, and growing our digital touchpoints.

We are continuously working to reach out to underserved segments, ensuring their access to useful and affordable financial products and services that are delivered in a sustainable way.

BANKING THE UNDERBANKED

BPI's commitment to the Ayala Sustainability Blueprint is to champion SDG 8: Decent Work and Economic Growth, by expanding access to banking and financial services to 25% of the underbanked population of the Philippines (addressable C and D market).

A key component in our commitment is to grow our microfinance business through BPI Direct BanKo's NegosyoKo product which caters to self-employed micro entrepreneurs (SEMEs). Our target is to increase the number of SEME clients we serve to 360,000 by 2023, and 600,000 by 2025. BanKo also offers the PondoKo Savings which is a zero-maintaining balance deposit product. The PondoKo Savings Account may now be accessed via the BanKo App which is available in both Google Play and Apple App Store.

See pages 56 to 57 for more information on BPI BanKo.

PROTECTING ASSETS THROUGH MICROINSURANCE

Wherever our clients may be in their financial journey, the Bank recognizes that protecting assets and managing risks is important in ensuring long-term financial wellness. BPI works to increase awareness of risks surrounding their businesses and assets and helps to foster resilience to risks through our Bancassurance products.

In 2019, BPI/MS developed and started the distribution of a non-life insurance product specifically for BPI BanKo clients, the *InsuranceKo* Accident and Calamity Assist. In 2020, the case count for this grew to more than 98,000.

Extended financial services to more than **145,000** SEMEs to date, a **41%** increase from 2019.

Disbursed **Php 18 billion** through over **242,000** microfinance loans to date

More than **450,000** *PondoKo* Savings account holders

In 2020, BPLAC launched the Bayan Family Protect Microinsurance Plan 30 (individual), Plan 60 (individual), and Plan 90 (family of 5). As of 2020 there are total of 2,187 certificates for these.

ACCESS TO FINANCIAL SERVICES

We view digitalization as a way to make financial inclusion truly sustainable, reducing the cost to serve, thus allowing us to bank a much greater proportion of the population. In 2020, a total of 2.68 million unique users accessed us digitally through BPI Online and the BPI Mobile App which had an uptime of 99.7%. Digital access penetration is currently at 31.7% of our total retail customers.

See pages 38 to 40 for more information on our digital channels.

1,686 financial education trainings through business units and subsidiaries

57 financial education webinars for underbanked and underserved through BPI Foundation

Over **7.3 million** non-unique participants of financial education webinars for underbanked and underserved through BPI Foundation

INCREASING PURCHASING POWER

BPI Prepaid Cards ushers the underbanked into the world of financial services with reloadable cards. To date, there are about 1.34 million Prepaid cardholders who can now conveniently and securely purchase goods and services in- store and online. In 2020 alone there were a total of 3.04 million Prepaid Card transactions.

Keeping in mind the various needs of our clients and the growing need for flexible payment terms, we continue to offer Special Installment Plans (SIP) for credit cards, such as SIP Loans for Hospitalization and Education, and SIP Merchant with low and fixed add-on rates. In 2020 there were a total of 1.17 million SIP transactions.

See pages 42 to 43 for more information on BPI Cards.

FINANCIAL EDUCATION AND MANAGEMENT

In order to improve financial literacy in the country, we help educate Filipinos in managing and making informed decisions about their finances. Through our business units and subsidiaries, we aim to expand our reach not only to our clients but also to the general public. Previous years' financial education trainings were conducted face to face. For 2020, activities shifted to online trainings through webinars due to the restrictions brought by the COVID-19 pandemic. Through this online presence, BPI was able to provide financial insights and relevant updates regarding the health of the market at the time of COVID-19.

BPI AMTC, BPI Securities, BPI/MS, Global Markets, and OF Segment all share insights on financial well-being through trainings, learning sessions, and briefings. BPI Foundation brings tailor-made programs about the basics of personal finance to underserved and underbanked groups. More information on the Foundation's financial.

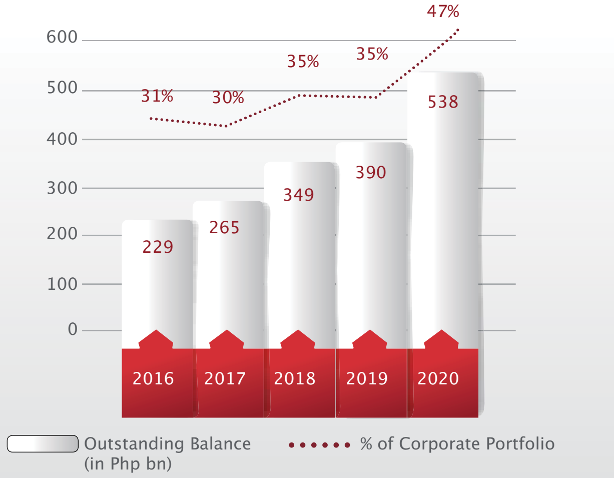
In 2020, the BPI AMTC Spotify podcast series, Investment Insights, which discussed basic investment concepts and advice, had a total of about 11,000 listeners with 43,365 plays. For 2021, the podcast has been renamed to Wealth Radio, which now offers daily updates on the financial markets as well as personal financial management insights.

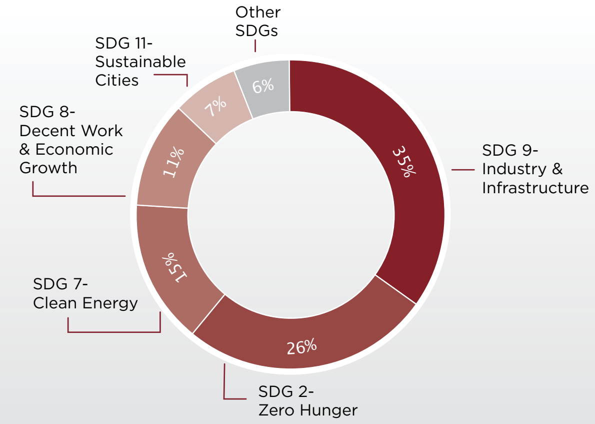
FINANCING **SUSTAINABLE DEVELOPMENT**

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

BPI has been a champion of development in the Philippines in the past 169 years. Portfolio size and percentage share of SDG-related loans based on outstanding balances rose from Php 229 billion or 31% of the Bank's consolidated corporate and SME loan portfolio in 2016 to Php 538 billion or 47% in 2020[1]. For the same year, the Bank disbursed Php 199.9 billion that impacted 11 out of the 17 SDGs through our products and services.

BPI'S SDG LOANS (OUTSTANDING BALANCES IN 2020)





[1]Tagging of loans to the SDGs was based on each account's Philippine Standard Industrial Classification (PSIC), a detailed classification of industries prevailing in the country according to the kind of productive activities undertaken by establishments. The Bank regularly updates its methodology to produce a comprehensive SDG database that is more accurately aligned with the SDG indicators.

SUSTAINABLE DEVELOPMENT FINANCE (SDF)

In 2019, BPI launched the Sustainable Development Finance (SDF) program under its Corporate Banking arm. It was an expansion of the Bank's long-running Sustainable Energy Finance program for SMEs and middle market companies with energy efficiency, renewable energy, and climate resilience projects, which now also covers projects on sustainable agriculture and large renewable energy projects of the Structured Finance Division. All projects under SDF undergo free rigorous technical evaluation by energy, climate-resilience, and agriculture experts before being financed by the Bank and included in the SDF portfolio.

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

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

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

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

BPI CONTRIBUTIONS TO THE SDGS (LOAN DISBURSEMENTS IN 2020)

SUSTAINABLE DEVELOPMENT THEME	PHP BILLIONS	PERCENTAGE
Micro and Small Businesses	6.9	3.5%
Food and Agriculture	136.0	68.0%
Nutrition, Healthcare, and Wellness	0.4	0.2%
Education	0.8	0.4%
Water Sanitation Systems	3.2	1.6%
Sustainable Energy Generation	42.2	21.1%
Infrastructure	2.2	1.1%
Sustainable Housing	8.2	4.1%
TOTAL	**199.9**	**100.0%**

OPPORTUNITIES FOR MSMEs

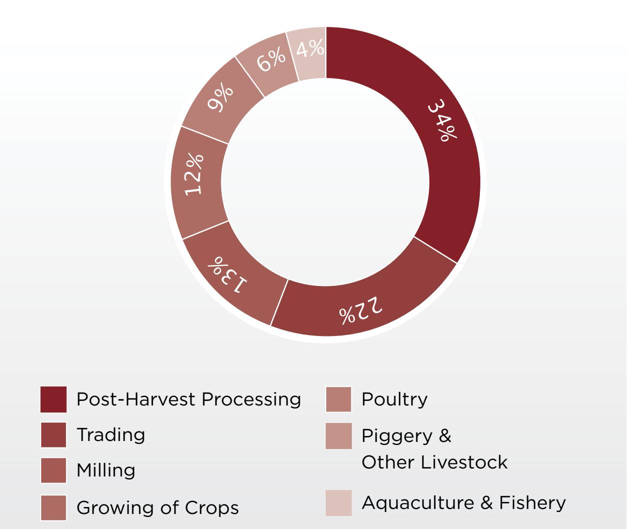
Financial inclusion and microfinance enable individuals to engage in income-generating activities or self-employment, which helps them become financially independent and break the cycle of poverty. BPI Direct BanKo disbursed Php 6.9 billion in loans to self-employed micro-entrepreneurs (SEMEs) in 2020.

FOOD SECURITY AND AGRICULTURAL PRODUCTIVITY

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

Providing entrepreneurs and corporations access to funding for modernizing their facilities will make them more efficient and increase productivity, leading to higher profits. These upgrades are also necessary for managing the risk of losses in today's extremely volatile environmental conditions. Total Agribusiness loan disbursements for 2020 amounted to Php 136 billion.

DISBURSEMENTS TO AGRIBUSINESS IN 2020



HEALTHCARE AND WELL-BEING

Access to quality and affordable healthcare and wellness products and services is among the fundamental needs of the community. In 2020, BPICTL released Php 394 million through leasing arrangements for hospitals, clinics, and health centers.

ACCESS TO EDUCATION

BPI supports the funding requirements of educational institutions, particularly the acquisition, construction, maintenance, and expansion of school buildings and other educational facilities. 2020 disbursements for this sector reached Php 746 million through Business Banking.

ACCESS TO CLEAN WATER

Access to clean water and sanitation requires that infrastructure for its collection, processing, storage, and distribution is available and of good quality. It is, likewise, essential that water resources and related ecosystems are protected and restored.

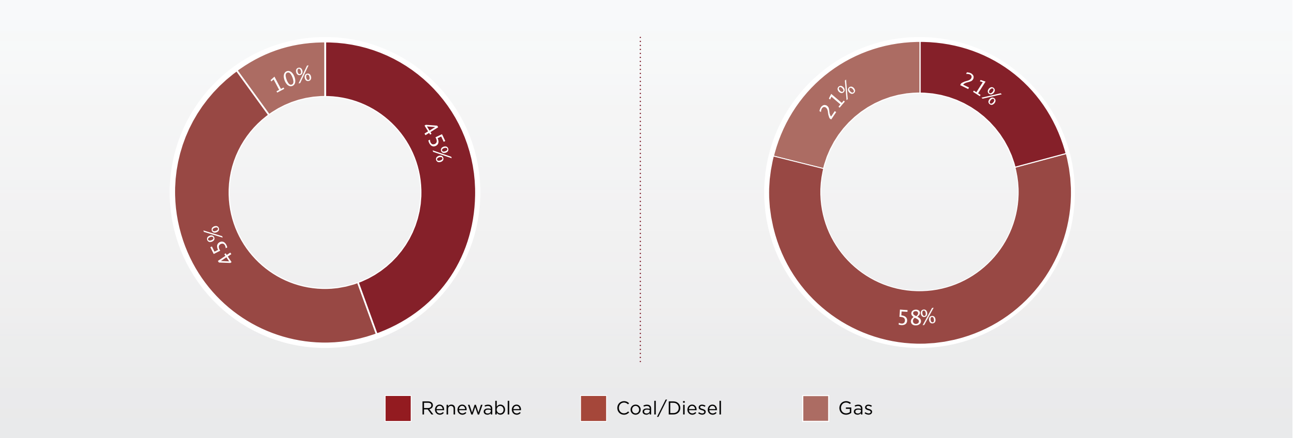
BPI has financed Php 2.6 billion for various projects that helped provide access to safe water-related services through our SFD and Php 635 million through Business Banking.

SUSTAINABLE ENERGY AND CLIMATE RESILIENCE

Through SDF, the Bank helped finance Php 835 million worth of energy efficiency projects, Php 47.8 million renewable energy projects, and Php 6.9 billion climate resilience projects in 2020. Of the total funds disbursed for climate resilience projects, Php 6.5 billion or 94% was used to finance green buildings.

While the Philippines' consolidated Power Energy Generation Mix shows that renewables account for only 21%, BPI's comparable generation loan portfolio mix in 2020 indicates a larger share for renewables at 45%.

BPI GENERATION MIX | **COUNTRY GENERATION MIX**



Source: National Grid Corporation of the Philippines

Estimated GHG emissions reduction through these projects amount to 907,353 tCO_2e per year from energy and 169,623 tCO_2e per year from materials. In addition, BPICTL disbursements for sustainable energy projects amounted to Php 48 million in the same year.

Large-scale renewable projects handled by SFD make up the majority of the Bank's portfolio on clean energy. In 2020, over Php 41 billion was disbursed for renewable energy projects, bringing cumulative disbursements in loans to Php 120 billion. GHG emissions were reduced by an estimated 27.6 million tCO_2e per year through these projects.

BPI aims to continue to respond to the energy needs of the country enriching its energy portfolio with more renewable energy projects. While we cannot yet fully abandon coal and non-renewable energy, because of the deficit in energy supply versus demand, we support the shift to renewable energy resources and energy efficiency.

INFRASTRUCTURE DEVELOPMENT

Investments in infrastructure, manufacturing, and technology are crucial in achieving sustainable development. The availability of infrastructure supports growth in productivity and industrialization, allowing communities to keep up with globalization, which will bring progress to the community.

BPI has long been supporting the government's Build Build Build program through project financing and leasing arrangements under Public-Private Partnerships. BPICTL released a total of Php 53 million for infrastructure investments in 2020 while SFD disbursed Php 2.1 billion.

AFFORDABLE HOUSING HOUSING

Housing loans provided to the community through the BPI Family Savings Bank have amounted to Php 7.5 billion in 2020. BPI caters to the funding requirements of both developers, through construction loans and working capital, and individuals, through housing loans. Some corporate clients offer sustainable homes that benefit low-income families. One example are homes with energy efficient designs that result in low utility bills. Business Banking also financed Php 693.6 million affordable housing.

SUSTAINABLE FUNDING FRAMEWORK

In June 2020, BPI established its Sustainable Funding Framework (Framework), expanding its Green Finance Framework formed last June 2019. The updated scope highlights the inclusion of projects which address social issues, in addition to initiatives with clear environmental benefits, as aligned with the SDGs.

The Framework is in accordance with the International Capital Market Association (ICMA) Green and Social Bond Principles, the Loan Market Association (LMA) Green Loan Principles, and the ASEAN Green, Social, and Sustainability Bond Standards.

SDGS TARGETED UNDER THE BPI SUSTAINABLE FUNDING FRAMEWORK

ELIGIBLE GREEN PROJECTS

- Renewable Energy
- Sustainable Water & Wastewater Management
- Energy Efficiency
- Pollution Prevention & Control
- Green Buildings

ELIGIBLE SOCIAL PROJECTS

- Micro, Small, and Medium Enterprise (MSME) Lending

GREEN BONDS – ALLOCATION OF PROCEEDS AND IMPACT REPORTING

In September 2019, the Bank issued US$ 300 million and CHf 100 million green bonds under the US$ 2 billion Medium Term Note (MTN) Programme. As of 2020, 100% of the net proceeds of the two green bond issuances have been allocated to eligible green projects in accordance with the Framework. Total eligible portfolio amounted to US$433.4 million, which exceeded the US$ 413 million total net proceeds of the two green bond issuances.

Approximately 81% of the eligible portfolio is allocated to renewable energy projects and the balance of 19% to green buildings. GHG emissions reduction from energy by the whole portfolio is estimated at 3.4 million tCO_2e per year, almost entirely attributable to renewable energy projects. In addition, green buildings are projected to have achieved 9,605 tCO_2e GHG emissions reduction from materials and electricity savings of up to 4,254 MWh per year.

GREEN BONDS ISSUED

ISIN Code	Coupon Rate	Tenor	Issue Date	Maturity Date	Amount in Original Currency	Amount in US$[1]
CH0495570944	0.00%	2 years	24-Sep-2019	24-Sep-2021	CHF 100 million	US$ 113 million
XS2050923825	2.50%	5 years	10-Sep-2019	10-Sep-2024	US$ 300 million	US$ 300 million
Total						**US$ 413 million**

OUTSTANDING ELIGIBLE GREEN PROJECTS AS OF DECEMBER 2020

Category	Project	Original Currency	Amount Funded by BPI	
			Outstanding Balance in Original Currency	Outstanding Balance in US$[2]
Renewable Energy	1	US$	US$ 300 million	US$ 300 million
	2	Php	Php 2.2 billion	US$ 46.5 million
	3	Php	Php 320 million	US$ 6.7 million
Sub-Total				**US$ 353.2 million**
Green Building	4	Php	Php 1.1 billion	US$ 23.7 million
	5	Php	Php 655 million	US$ 13.6 million
	6	Php	Php 972.2 million	US$ 20.2 million
	7	Php	Php 1.1 billion	US$ 22.6 million
Sub-Total				**US$ 80.2 million**
Total				**US$ 433.4 million**

ESTIMATED IMPACT FROM ELIGIBLE RENEWABLE ENERGY PROJECTS

Category	Outstanding Balance in Original Currency	Outstanding Balance in US$[2]	Project Location	Projected GHG Emission Reduction in tCO_2e/year
1	US$ 300.0 million	US$ 300 million	Indonesia	3,254,196
2	Php 2.2 billion	US$ 46.5 million	Luzon	97,326
3	Php 320 million	US$ 6.7 million	Luzon	5,197
Total		**US$ 353.2 million**		**3,356,719**

ESTIMATED IMPACT FROM ELIGIBLE GREEN BUILDING PROJECTS

Project	Outstanding Balance in Original Currency	Outstanding Balance in US$[2]	Project Location	Projected GHG Emission Reduction in tCO_2e/ year from energy	Projected GHG Emission Reduction in tCO_2e from materials	Electricity Savings in MWh/year	Building Certification
4	Php 1.1 billion	US$ 23.7 million	Visayas	411	2,574	854	EDGE Compliant
5	Php 655 million	US$ 13.6 million	Luzon	546	1,569	923	EDGE Compliant
6	Php 972 million	US$ 20.2 million	Mindanao	678	1,856	1,410	EDGE Compliant
7	Php 1.1 billion	US$ 22.6 million	NCR	632	3,606	1,067	EDGE Compliant
Total		**US$ 80.2 million**		**2,267**	**9,605**	**4,254**	

[1]Exchange rate as of December 29, 2020: US$ 1 = CHF 0.8862 (Source: Reuters)
[2]Exchange rate as of December 29, 2020: US$ 1 = Php 48.023 (Source: Reuters)

SOCIAL BONDS ISSUED				
Coupon Rate	**Tenor**	**Issue Date**	**Maturity Date**	**Amount in Original Currency**
3.05%	1.75 years	07-Aug-2020	07-May-2022	Php 21.5 billion

OUTSTANDING ELIGIBLE SOCIAL PROJECTS AND IMPACT ACHIEVED						
Category	**Amount in Php billions**	**%**	**Number of Accounts**	**%**	**Number of Customers**	**%**
Micro Enterprise	3.2	11%	1,881	21%	1,333	41%
Small Enterprise	6.6	22%	2,657	29%	1,200	37%
Medium Enterprise	20.1	67%	4,637	51%	692	21%
Total	**29.9**	**100%**	**9,175**	**100%**	**3,225**	**100%**

SOCIAL BONDS – ALLOCATION OF PROCEEDS AND IMPACT REPORTING

In August 2020, the Bank issued the COVID Action Response (CARE) Bonds, the country's first peso-denominated bonds to be issued as a direct response to the COVID-19 pandemic. The CARE Bonds were issued as the third tranche of the Php 100 billion Bond Program.

As of 2020, 100% of the net proceeds of the CARE Bonds have been fully allocated to 3,225 eligible MSMEs with 9,175 loan accounts. Total eligible portfolio amounting to Php 29.9 billion exceeds the CARE Bonds net proceeds of Php 21.5 billion.

Loans to Medium Enterprises make up 67% or Php 20.1 billion of the eligible portfolio, serving 692 customers with 4,637 accounts. On the other hand, 41% or 1,333 of total customer count represent Micro Enterprises, which corresponds to 1,881 accounts with a sum of Php 3.2 billion in loans.

EXTERNAL VERIFICATION

The Bank has engaged Sustainalytics, a global leader in ESG and Corporate Governance research, to independently evaluate the projects and assets funded in 2020 based on whether the projects have met the reporting requirements outlined in the BPI Sustainable Funding Framework. Copies of the Framework, the Second-Party Opinion by Sustainalytics, and the Year-End Report are available on the BPI website.

SUPPORTING **NATION-BUILDING**

The banking industry was classified as a critical industry allowed to operate during periods of Enhanced Community Quarantine precisely because it provides essential services to customers and communities. Banks must continue to operate even under the most difficult of circumstances, mobilizing funds towards productive uses to ensure that the economy continues to function.

SERVING OVERSEAS FILIPINOS

BPI's dedicated accounts for overseas Filipinos have become indispensable with the greater need to stay connected, through secure and convenient platforms, with their families at home during the community quarantine. The BPI Pamana Padala is a remittance account that offers a remittance continuation benefit through a life insurance coverage of up to Php 300,000, while the BPI Padala Moneyger does not require a maintaining balance as long as the account receives four remittances in a year. The Bank has 139 international and 7 local remittance partners that help us serve our 833,000 overseas Filipino clients.

See pages 43 to 44 for more information on products and services for Overseas Filipinos.

Over
37,000
Pamana Padala accounts and
4,800
Pamana Moneyger accounts in 2020

Php 239 billion
total sum assured across **369,345** certificates under BPI-Philam

Php 3 billion
total sum insured for catastrophes and natural hazard under BPI/MS

PROTECTION AGAINST UNCERTAINTIES

Long-term financial well-being requires preparation for unforeseen events such as the COVID-19 pandemic. BPI works to increase the community's awareness of risks and the importance of protecting assets through the provision of affordable and relevant Bancassurance products. In 2020, BPI-Philam launched MedLife Protect Plus and the free COVID-19 Life Insurance Coverage campaign. At the same time, BPI/MS started the Family PA 999 product and continues to offer affordable payment schemes for premiums and bonuses for motor insurance clients who did not have insurance claims in the past year.

See pages 44 to 45 for more information on BPI Philam and BPI/MS.

SCALING UP ENTERPRISES

Small and medium enterprises (SMEs) play a major role in most economies, predominantly in developing countries. SMEs account for the majority of businesses and are important contributors to socio-economic development in terms of GDP growth and widespread equal distribution of income through job creation.

Business Banking hosted **9** online learning sessions reaching **2,085** SMEs

BPI Foundation conducted **54** entrepreneurship development trainings attended by **2,649** participants under the Show Me Teach Me, TechVoc, and SINAG programs

We continue to cater to the specialized needs of SMEs by disbursing up to Php 58.37 billion to more than 111,000 SME clients of Business Banking in 2020. In the same year, the Php 21.5 billion BPI COVID Action Response (CARE) Bonds were issued and were fully-allocated to SME loans from a Php 29.85 billion eligible portfolio. BPI Century Tokyo Lease & Finance Corporation also helped finance 61 SMEs with a total amount of Php 125,84 million in loans and leasing arrangements.

Php 400 million worth of transactions for **32 SMEs** under the Quick Assist Program

Php 6.8 billion financed trade receivables for **146 SMEs** enrolled to the Supplier Financing Program

Php 1.4 trillion total capitalization loaned from BPI to date

Php 146.8 billion total capitalization raised by BPI to date

Php 102.1 billion total underwriting for green, social, and sustainable bonds

See pages 54 to 55 for more information on Business Banking, pages 68 to 70 for Social Bonds, and pages 83 to 84 for BPI Foundation programs for SMEs.

ROBUST SUPPORT SYSTEMS

BizLink, BPI's internet banking platform for business and corporate clients, has enabled continuous productivity for clients despite the physical restrictions of the community quarantine. With an uptime of 99.9%, the system facilitated 68.6 million transactions of over 20,000 unique users amounting to over Php 4 trillion.

Addressing the working capital gap arising from credit terms, which is a typical characteristic of SME trading agreements, the Quick Assist Program provides SMEs access to credit while helping them comply with trading agreements by securing hold-out on deposits for Letters of Credit and Standby Letters of Credit. The Supplier Financing Program offers a low-risk financing option where a customer can extend its credit terms with the vendor while the vendor is able to receive early payment by selling their trade receivables to BPI.

See page 48 for more information on solutions for business and corporate clients.

MAXIMIZING CAPITAL RESOURCES

BPI supports the country's key economic players through landmark investment banking transactions. We are committed to significantly contributing to the development of the Philippine economy through our various initiatives, especially in the infrastructure space. In 2020, BPI Capital Corporation loaned Php 827.1 billion to government and helped them raise an additional Php 62 billion. Total capital loaned to clients raised for clients reached Php 1.2 trillion while total capital raised by BPI for clients amounted to Php 146.8 billion for the same period.

See page 53 for more information on BPI Capital.

RESPONSIBLE **OPERATIONS**

ENVIRONMENTAL SUSTAINABILITY

The Bank recognizes its role as a responsible user of natural resources to support business operations. We keep track of our environmental impacts in all places of business and encourage our clients, suppliers, and partners to do the same, with the aim of reducing negative environmental impact of our activities and to become more cost-effective.

Part of our monitoring includes gathering data on energy and water consumption, and calculating the equivalent carbon emissions of branches, head offices, and business centers in the Philippines[1], consolidated per geographical business area. BPI continually explores technological innovations that could reduce resource consumption and improve our environmental tracking systems.

ENERGY CONSUMPTION

BPI's energy consumption comes from electricity requirements of our daily branch and office operations. The Facilities Services Group (FSG) previously commissioned a third-party energy audit to determine projects that can help the Bank manage resources efficiently and save on utility costs.

As of 2020, FSG has installed LED lights in 678 branches or 78% of total branch count, saving 2,153 kWh or Php 21.2 million. Within the same period, inverter-type air-conditioning units have been installed in 422 branches or 49% of total branch count, generating 2,153 kWh and Php 9 million in savings.

The Banks' 2020 electricity consumption based on electricity billings decreased by 28.6% from 2019 brought by disruptions in operations of select branches and offices, such as the eruption of the Taal volcano eruption in January and the community lockdown due to the COVID-19 pandemic from March until the end of the year.

BPI improved its energy intensity performance with the Bank consuming 35.4% less energy per Php 1 billion revenue at 1,170.4 gigajoules per Php 1 billion revenue[2] in 2020 compared to 1,810.9 gigajoules per Php 1 billion revenue[3] in 2019.

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

GREENHOUSE GAS EMISSIONS

BPI's greenhouse gas (GHG) emissions fall under Scope 2 of the GHG Protocol Corporate Standard, which refers to indirect emissions from the generation of purchased energy. It is computed based on the electricity consumption that fall under Scope 2 and the Department of Energy (DOE) Grid Emission Factors[1].

For 2020, Scope 2 GHG emissions decreased by 28.5% following the decrease in electricity consumption. GHG intensity, or GHG emissions against annual revenue, likewise improved by 35.3% from 360.2 tonnes CO_2e per Php 1 billion revenue[3] in 2019 to 233.1 tonnes CO_2e for every Php 1 billion revenue[2] earned.

WATER CONSUMPTION

Water consumption comes from pantry sinks, washrooms, and maintenance faucets in branches and offices. The water used is sourced from water utility companies. In 2020, water consumption amounted to 252,975 cubic meters which is 33.6% less than the 2019 consumption.

SHIFT TO PAPERLESS BILLINGS

The Centralized Operations Group (COG) continued its Electronic Statement of Account (eSOA) Project with the primary objective of aligning paper-heavy BPI products to the Bank's digitalization strategy and to improve customer experience while streamlining expenses. This proved to be useful when faced with the challenges of physical delivery of SOAs to cardholders due to the COVID-19 community quarantine.

As of 2020, credit card accounts from BPI and BFSB have been migrated to the eSOA program, saving nearly 31.5 million pages of paper that is equivalent to 3,778 trees[5] saved from being cut for paper. COG has also begun preparing for the eSOA implementation for other bank products in 2021.

ENVIRONMENTAL FOOTPRINT	2018	2019	2020
Electricity Consumption[1] (gigajoules)	180,278	167,080	119,291
Scope 2 GHG Emissions[2] (tonnes CO_2e)	35,860	33,234	23,760
Water Consumption (cubic meters)	381,443	380,734	252,975

OTHER EFFORTS

Although the Bank's core business activities are not heavy on material resource consumption and waste generation, our day-to-day activities still generate waste. FSG facilitates the Bank's compliance to the Department of Environment and Natural Resources (DENR) regulations on clean air, water, and solid and hazardous waste through pollution control officers assigned by geographical cluster.

All employees are also encouraged to use and dispose of materials responsibly. Before the COVID-19 community quarantine and towards the end of the year, the Bank's Sustainability Office was able to facilitate several pick-ups of recyclables from branches and offices within Metro Manila. A total of 3,170 kilograms of paper, plastic, and electronic recyclables were collected and turned-over to our partner recyclers in 2020.

The Sustainability Office also organizes Learning Sessions and other information campaigns to instill a sustainability mindset in all employees. In 2020, three Learning Sessions covering the topics of veganism, urban container farming, and lifestyle medicine were offered to employees through webinars during the community quarantine alongside several email broadcasts on various sustainability concepts.

[1] Includes branches, head offices, and business centers in the Philippines, excluding BanKo branches and branch-lite units.
[2] 2020 revenue is Php 101.92 billion.
[3] 2019 energy and GHG intensity recalculated due to the restatement of 2019 revenue following the deconsolidation of BPI Century Tokyo Leasing. 2019 revenue is Php 92.26 billion.
[4] GHG emissions computed based on DOE National Grid Emission Factors. (Source: DOE.gov.ph)
[5] 1 tree makes 8,333.3 sheets. (Source: Conservatree.org)

SOCIAL RESPONSIBILITY

SAFEGUARDING EVERYONE'S WELL-BEING

Behind every successful organization are its people. Our Human Resources Management Group ensures that our employees are always equipped with the skills they need to do their jobs well, in a safe and empowering environment where they feel they belong.

2020 was a year that the HR team has never before seen. COVID-19 caused disruptions and changed the way people work. In light of the challenges brought by the pandemic, safety and survival became the red thread that tied together HR's initiatives for the year.

TOTAL HEADCOUNT	2018	2019	2020
Direct Hires[1]	18,911	21,429	19,952
By gender			
Male	6,037	7,022	6,605
Female	12,874	14,407	13,347
By age			
Over 50 years old	1,162	1,286	1,229
30-50 years old	8,206	8,255	9,061
Below 30 years old	9,543	11,888	9,662
By region			
National Capital Region (NCR)	11,671	12,611	11,538
Luzon	3,897	4,807	4,542
Visayas	1,998	2,324	2,248
Mindanao	1,345	1,687	1,624
Indirect Hires[2]	2,725	2,636	4,545

[1]All active employees of BPI and its subsidiaries in the Philippines as of December 31, 2020. Local hires of BPI's foreign offices are excluded.

[2]Includes outsourced personnel from security, janitorial, and messenger agencies. 2018 to 2019 reflects utility personnel for offices only, 2020 number includes offices and branches (2020 without utility personnel from branches is 3,144)

EMPLOYEE DEMOGRAPHICS	2018	2019	2020
Senior Management	219	211	225
By gender			
Male	112	102	103
Female	107	109	122
By age			
Over 50 years old	132	133	139
30-50 years old	87	78	86
Below 30 years old	0	0	0
By region			
NCR	205	199	213
Luzon	6	6	6
Visayas	5	2	3
Mindanao	3	4	3
Middle Management	6,442	7,141	6,723
By gender			
Male	2,223	2,500	2,349
Female	4,219	4,641	4,374
By age			
Over 50 years old	616	695	664
30-50 years old	4,408	4,605	4,783
Below 30 years old	1,418	1,841	1,276
By region			
NCR	4,395	4,815	4,371
Luzon	1,092	1,262	1,281
Visayas	573	619	614
Mindanao	382	445	457

EMPLOYEE DEMOGRAPHICS	2018	2019	2020
Rank-and-File	**12,250**	**14,068**	**13,003**
By gender			
Male	3,702	4,417	4,152
Female	8,548	9,651	8,851
By age			
Over 50 years old	414	432	426
30-50 years old	3,711	3,972	4,192
Below 30 years old	8,125	9,664	8,385
By region			
NCR	7,071	7,607	6,953
Luzon	2,799	3,530	3,255
Visayas	1,420	1,718	1,631
Mindanao	960	1,213	1,164
Project Hires[1]	**-**	**9**	**1**
By gender			
Male	-	3	1
Female	-	6	0
By age			
Over 50 years old	-	0	0
30-50 years old	-	0	0
Below 30 years old	-	9	1
By region			
NCR	-	9	1
Luzon	-	0	0
Visayas	-	0	0
Mindanao	-	0	0

[1]Reporting started in 2019

NEW HIRES	2018	2019	2020
Total	3,649	4,575	914
By gender			
Male	1,437	1,741	361
Female	2,212	2,834	553
By age			
Over 50 years old	8	9	2
30-50 years old	832	785	232
Below 30 years old	2,809	3,781	680
By region			
NCR	2,018	2,408	503
Luzon	876	1,237	203
Visayas	432	473	122
Mindanao	323	457	86
By employee category[1]			
Senior Management	9	10	3
Middle Management	795	867	194
Rank-and-File	2,845	3,689	714
Project hires[1]	-	9	3

[1]Reporting started in 2019

TURNOVER	2018	2019	2020
Total	1,786	2,069	2,391
By gender			
Male	614	763	1,610
Female	1,172	1,306	781
By age			
Over 50 years old	150	194	278
30-50 years old	531	570	692
Below 30 years old	1,105	1,305	1,421
By region			
NCR	1,263	1,424	1,568
Luzon	296	372	444
Visayas	125	156	213
Mindanao	102	117	166
By employee category[1]			
Senior Management	23	22	24
Middle Management	505	639	659
Rank-and-File	1,258	1,406	1,697
Project Hires[1]	-	2	11
By type[2]			
Voluntary	-	-	1,250
Involuntary[3]	-	-	613
Retirement[4]	-	-	517
End of contract[5]	-	-	11

[1]Reporting started in 2019
[2]Reporting started in 2020
[3]Includes non-regularization
[4]Includes Normal Retirement, Optional Retirement, and Bayanihan Retirement Program
[5]Project Hires

Being part of an essential industry meant that business operations needed to continue despite the COVID-19 outbreak. To keep employees and our workplace healthy and safe in the best way possible, we implemented several precautionary measures that changed the way we work. We designed work arrangements that allowed employees to work from the safety of their homes. We favored virtual meetings over face to face interactions. We also requested employees to refrain from crossing buildings and floors and comply with physical distancing.

Those who are physically reporting to the office may take one of the many shuttles that we commissioned to bring our employees to and from work. Further, during the enhanced community quarantine (ECQ) and the modified enhanced community quarantine (MECQ) periods, we provided Special Meal and Transportation Allowance (SMTA) to these employees, designed to cover for additional expenses that they would not have otherwise incurred had all food establishments and public transportation been available.

Further, we invited employees to participate in our bank-wide rapid testing efforts and facilitated RT-PCR testing for suspect cases. In the event that an employee tests positive for COVID-19, we have dedicated ad hoc teams that monitor their condition until full recovery, perform comprehensive contact tracing, and disinfect our work areas to help prevent the further spread of the virus in the workplace.

Equally important for us is the emotional well-being of our employees. We recognize that everyone experiences different life situations that may put them in distress, and with the COVID-19 pandemic exacerbating these situations, we found that 2020 was the most opportune moment to introduce a workplace mental health program. We started by institutionalizing a Mental Health Policy, which serves as our beacon in promoting mental wellness in BPI. It safeguards against discrimination, protects confidentiality, promotes education and training, and advocates treatment, rehabilitation and support. Currently, our employees benefit from various learning sessions on mental wellness and enjoy access to mental health specialists through our healthcare service providers. We envision to expand our offerings in the future by making mental health an integral part of our employee wellness program called "Be Well".

DEVELOPING TALENT DESPITE THE DISTANCE

In BPI, we place prime importance on talent development. We offer a wide array of training programs spanning mandatory and regulatory modules, professional development courses, and leadership development programs. All are now offered via digital means in support of the Bank's thrust towards digitalization, and as part of our health protocols to prevent the spread of COVID-19 in the workplace.

Beyond workplace learning, a key hallmark in our 2020 talent development initiatives is the Talent Review. We met with the Senior Management team of each business unit, evaluated each of their employees (Senior Managers and up) based on performance and potential, and slotted them in 9-Box Grid. The slotting provided an indication of what development programs may best benefit their employees and how to best progress their career. The Talent Review served as an input to our updated succession plan.

PROMOTIONS	2018	2019	2020
Middle Management[1]	887	962	661
Senior Management[2]	24	27	35

[1] Assistant Manager to Assistant Vice President
[2] Vice President and up

DIGITALIZED HR IN A DIGITAL WORLD

HR is one with the Bank in its journey towards digitalization. We started the groundwork with e-learning through the introduction of Coursera, Degreed, and Percipio. Along with Granite, these online platforms allow for just-in-time learning: employees can access learning anywhere, anytime they need it.

In 2020, employees underwent a total of 2,396,635 training hours, an average of 120 hours or 15 days for each employee.

We also launched major enhancements to our two key HR platforms. We introduced the MyeHR Mobile App, which employees use to file and approve leave and overtime requests, check their pay slips, as well as view their time entries, personal information, and job details. Doing these activities no longer require access to a company-issued computer connected to the BPI network. Secondly, we migrated to the Your OneHR Gateway, where employees can see all HR platforms in one place. It is also accessible outside of office premises, making it convenient to use. More features will be unlocked in the coming months.

KEEPING OUR EMPLOYEES ENGAGED

A huge challenge that became evident early on was keeping the spirit of belongingness alive despite working apart. We maintained an engaged workforce by constantly communicating and recognizing our employees for their efforts. We updated our employees on the latest developments about COVID-19 through periodic email announcements. To ensure that we are able to reach even those at home, we created a private Facebook group where we publish the same announcements released via email. The same Facebook group became our tool to host virtual events that brought employees together: the annual BPI Excellence Awards, various health and wellness webinars, messages from the CEO and Chief HR Officer, among others.

We capped 2020 with the BPI Virtual Year-ender, the first of its kind in BPI history. In this virtual event, employees came together to enjoy games, a talent show, and recorded performances among others. One of its key highlights is the Bayanihan Awards, a program that recognized employees who made a significant contribution during the COVID-19 pandemic.

OTHER COVID-19 INITIATIVES

Practical matters called to be addressed as COVID-19 continued to onslaught 2020. We revisited our headcount and introduced efforts to rationalize manpower. In addition, we implemented the Bayanihan Retirement Program, a voluntary retirement initiative that aligns with the provisions set by the government.

With the pandemic situation seeing no clear end in the near future, we intend to continue with these initiatives for 2021. Enhancements will be introduced wherever needed, and additions are already in the pipeline: a post-pandemic workplace, and digital competencies among others. In the long-term, we aspire to be a stronger partner of the Bank in fulfilling its business objectives—by strengthening our fundamentals, by making our operations more efficient and effective, and by transforming the way we work and deliver our people services to all Unibankers.

LEAVE BENEFITS[1]	2020
Maternity Leave	
Employees entitled	13,687
Employees availed	770
Employees returned and still employed 12 months after	738
Paternity Leave	
Employees entitled	6,765
Employees availed	273
Employees returned and still employed 12 months after	252
Solo Parent Leave	
Employees entitled	19,952
Employees availed	217
Employees returned and still employed 12 months after	200

[1] Does not include BPI Securities Corp. Exclusion is due to systems data collection limitation

EMPLOYEE WELFARE

Our competitive compensation and benefits consider market data. Job evaluation and salary benchmarking ensure that compensation is within industry standards. Benefits include bonuses, executive stock purchases (for officers), and the Defined Contribution and Defined Benefit retirement plans. Employees receive clothing and medical allowances on top of health benefits and life insurance coverage. They are given leaves for sickness, vacation, maternity, and paternity. Access to car, housing, and multipurpose loans are also available, with amounts depending on tenure and rank.

We strictly comply with the labor laws and regulations in the Philippines and uphold the rights of freedom of association and collective bargaining. In 2020, the Bank maintained harmonious relations with 25 labor unions covering 91% of the staff population. We aim to treat all employees with respect and communicate with them fairly and transparently. We do not discriminate on gender, religion, age, race, color, political views, or social background. We strictly enforce non-employment of minors and are against forced compulsory labor. More information on this can be found in the BPI Code of Business Conduct and Ethics available on www.bpi.com.ph

COLLECTIVE BARGAINING	2018	2019	2020
Employees covered by CBAs[1]	10,525	8,522	9,541
Total Rank-and-File employees[2]	11,506	11,442	12,565
Percentage Covered	91%	74.5%	76%
Total existing labor unions	25	25	25

[1] All unionized Rank-and-File excluding BPI/MS Insurance Corp., BPI Direct BanKo is not unionized
[2] All Rank-and-File excluding BPI/MS Insurance Corp., BPI Direct BanKo is not unionized

SECURITY AND SAFETY

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

The CSO ensures that all branches and offices are adequately manned by capable security personnel at all times. All security personnel undergo at least four hours of training each quarter. They are trained on bank security enhancement, security guard customer care, gun safety and proficiency firing, bomb identification and detection, robbery and hold-up procedures, first aid and basic life support, basic occupational safety and health training, fire safety, and disaster awareness.

Key elements of occupational health and safety (OHS) management are addressed by our CSO and HR teams, this covers both direct and indirect BPI employees. We focus on prevention through compliance to DOLE and other government regulatory requirements; preparation through training and exercises for safety and disaster planning; and response through engagements with government response services and outsourced personnel (security and utility) service providers. A Senior Management OSH Committee composed of the different Group Heads meet quarterly to discuss OHS issues. We have a hazard identification, risk assessment, and incident investigation reporting protocol. Communication, participation, and consultation on OHS issues occur through HR, the private employee Facebook group, and Viber. We have Corporate Clinics situated in major BPI campuses and an HMO partner with accredited clinics nation-wide.

In 2020, employee trainings on health and safety were conducted through webinars and eLearning modules. There were three training courses provided: Incident Command System, Workers Occupational Health and Safety, and Safety Officer 1. In total, there were 61,078 training hours across the three courses.

BPI FOUNDATION

In 2020, BPI Foundation, the social development arm of the Bank, recalibrated its purpose and advocacies to better align with the Bank. The story of empowerment is at the center of BPI Foundation's work. This commitment to enable underserved communities with financial knowledge and access to spur responsible, and sustainable growth and progress for Filipinos is realized through programs that are aligned with our key advocacies: Financial Wellness; Sustainable Positive Change; and Bayanihan[1].

[1] Filipino for "spirit of civic unity and cooperation"

Financial Wellness

BPI Foundation's financial wellness programs cater to various sectors of society. In 2020, these were rebranded as FinEd Unboxed, a customized financial education program that seeks to improve the financial capability of everyday heroes such as DepEd teaching and non-teaching personnel ("Financial Planning at the time of Pandemic" webinar series, digital literacy training, and personal finance management national training of teachers in partnership with DepEd and BSP), uniformed personnel (financial education webinars and explainer videos in support of Ayala Corporation's Saludo sa Serbisyo), and migrant domestic workers and their families (PinoyWISE iTV webinars in partnership with Atikha NGO). In partnership with Edukasyon.ph, we released 14 financial education content materials ranging from videos, articles, quizzes, and animated social posts crafted with young adults in mind. Through FinEd Unboxed, we hope to empower our audiences to become financially responsible by unpacking and simplifying lessons on personal money matters such as saving, budgeting, investing, insurance, retirement planning, and managing credit.

In 2020, we also developed a financial education mobile game application called “Breakthrough: The Financial Choices We Make” that will be available in Apple App Store and Google Play Store in February 2021. The game introduces concepts such as savings, budgeting, retirement planning, insurance, debt management, investments, and other financial concepts. The game will allow a user to play a financial education board game against artificial intelligence opponents.

Programs on enterprise development and livelihood were also shifted to digital implementation. Show Me Teach Me (SMTM), a capacity building program for micro, small, and medium entrepreneurs (MSMEs) conducted 10 online webinars on financial management, product development, and digitalization. The BPI Tech-Voc Program, which aims to capacitate community members and self- employed micro-entrepreneurs (SEMEs) to optimize their productivity by providing them with training programs that combine technical-vocational skills with entrepreneurial and management skills, conducted courses on basic sewing, soap and sanitizer production, bread production, and contact center. BPI Sinag business challenge geared towards Filipino social entrepreneurs, awarded a total of Php 3.5 million cash grants through the Sinag Reignite Challenge.

Sustainable Positive Change

Despite the challenges posed by the restrictions from the pandemic, the Foundation continued on with its work on environmental sustainability. The Farm to Table Program in partnership with RiceUp and GreenEarth provided farmers in Bulacan, Pampanga, Nueva Vizcaya, and Davao with capability enhancement and agripreneurship skills through farm school training, access to markets through the RiceUp Marketplace, and farming innovations such as rainwater harvesting tanks. The Hineliban Rainforestation program, on the other hand, was able to cover 52.13 hectares of denuded watershed of the mountain range in Amai Manabilang.

Coming from our 2019 partnership with WWF Philippines, the BPI Climate Change Risk Assessment Initiative, an assessment of the climate vulnerabilities of Cabanatuan, Tarlac, Calbayog, and Tagum were conducted. The results and recommendations on sustainable and climate-resilient strategies in development planning were discussed with the local government, and technical assistance such as the navigation of tools for climate-risk mapping was also provided.

2019 also saw the launch of the Sulong Pinoy Christmas outreach program that aims to support underserved communities and at the same time promote environmental sustainability. In lieu of Christmas corporate giveaways to clients, BPI and BPI Foundation donate Php 5.5 million to tuna fishermen in Lagonoy Gulf (Bicol region) and Mindoro Strait (Occidental Mindoro).

In December 2020, the Foundation launched the Sustainable Cities: Adopt-A-City Program in partnership with the National Resilience Council, Carlos P. Romulo Foundation, City Government of Manila. Implementation will start in 2021, with the goal of strengthening the scientific knowledge, leadership, and governance capacities of local government units to achieve human, economic, and environmental resilience, and sustainable development.

Bayanihan

The projects of BPI BAYAN groups, the employee volunteer program, were given more flexibility this year to focus on disaster response. From the 46 BPI BAYAN groups, 23 implemented COVID-19 initiatives.

The #PhygitallyYours - Weekly Digital Community Service was implemented in August 2020 to inform Filipinos about smart banking. During the various natural disasters in 2020, volunteers were also engaged for the repacking and distribution of relief goods. In total, there were 9,161 non-unique volunteers.

COVID-19 initiatives were implemented with the help of various partners (such as Philippine Red Cross, Caritas Manila, and Manila HealthTek) to better determine and reach those communities in need. In 2020, the country also faced various natural disasters. After the Taal volcano eruption in January, the Foundation’s disaster response initiative involved the participation of BPI’s stakeholders, both internal (employees) and external (clients). Through BPI Foundation and the BPI community, funds were raised for the construction of a multi-purpose facility/evacuation center in Batangas (in partnership with the Philippine Disaster Resilience Foundation). In-kind donations were also collected in light of the twin typhoons late last year. BPI’s footprint in the area was taken into consideration when assessing recovery projects for COVID-19 and natural disasters.

The Foundation also launched the Pagpugay Scholarship Program which will support college education for the next of kin of medical frontliners who passed away in the line of duty during the pandemic. In 2020, five Pagpugay Scholarships were awarded. Another COVID-19 recovery project was *Pagsibol*, the fundraising program for the food sheds in various provinces in the Philippines (in partnership with World Wide Fund for Nature Philippines).

FINANCIAL WELLNESS PROGRAMS BENEFICIARIES

7,376,570[1] FinEd Unboxed for Migrant Domestic Workers and their families, Uniformed personnel, DepEd teaching and non-teaching personnel, Young adults

2,649 BPI Sinag, Technical Vocation Program, Show Me Teach Me

SUSTAINABLE POSITIVE CHANGE PROGRAMS BENEFICIARIES

13,175 Farm to Table Program, Hineliban Rainforestation

BAYANIHAN PROGRAMS BENEFICIARIES

378,340 COVID-19 and disaster response initiatives

[1]Non-unique. Due to the nature of the platform used, a unique participant count is not available

More information on CSR programs can be found in www.bpifoundation.org.

DATA PRIVACY

BPI abides by the Data Privacy Act of 2012 (DPA) and the various circulars and advisories of the National Privacy Commission (NPC). The Bank has a Data Privacy Office (DPO) that manages the fulfillment of data privacy requirements across the organization. The DPO also responds to, and assists various business units in addressing privacy-related complaints received from the public.

The Bank’s Sustainable Privacy Management Framework and Program guides all aspects of our operations in upholding the public’s right to data privacy. Apart from the two mandatory e-learning data protection courses, data privacy lectures are also included in the New Employee Orientation Program (NEOP) and Officership Training Program (OTP) to equip all personnel regarding proper handling of personal data. To continue to embed privacy risk management into operations, the DPO’s stand-in Privacy Business Briefings in branches and during Cybersecurity Awareness Month were shifted to live webinars to continue the efforts in promoting data privacy despite the limitations brought by the pandemic.

The DPO also Conducted a Data Privacy Forum to ensure that privacy champions are kept updated on the latest regarding data privacy. It was attended by Compliance Officers for Privacy (COPs), Group Compliance Officers (GCOs), and Data Protection Officers of the different subsidiaries and affiliates of the BPI Group of Companies.

In 2020, the DPO reviewed 50 privacy impact assessments (PIA) covering the different projects and processes of various business units. This helps in identifying privacy risks and possible impacts to the data subjects and addressing the gaps by creating mitigation plans. They also conducted compliance checks on various third party suppliers of the Bank to ensure that these service providers perform their duties and responsibilities in accordance to the standards set by the Bank and as agreed by both parties.

To intensify clients and employees' awareness on data privacy and information security, a total of 148 communication materials were released and posted internally through email blasts and the private BPI employee Facebook group, and externally through BPI's Official Facebook Page.

In 2020, there were no BPI data breaches reported to the NPC.

See page 147 for more information on data privacy.

CUSTOMER SATISFACTION

BPI conducts periodic Customer Satisfaction (CSAT) and Net Promoter Score (NPS) surveys which measure different angles of customer satisfaction. The frequency of these surveys range from daily, weekly, monthly, and quarterly depending on the type and topic of the survey. Through these engagements, we gain insights on continuous improvements to our systems, products, and services to better address the needs of our clients. Overall, our CSAT and NPS scores are above global and local consumer norms.

The Customer Experience Management Office's (CXMO) BPI Customer Assistance Program (CAP) ensures the handling of feedback from customers across all touch points and potential customers are well-handled, as required by the Bank's customer protection policies. Designated Customer Assistance Officers (CAOs) undergo training to equip them with skills to address customer issues and to ensure compliance with the Bank's Financial Consumer Protection Program (FCP). Continuous information and education campaigns are also part of the FCP. Since 2018, CXMO continuously conducted roll-outs and on-site training on FCP and alignment meetings with the CAOs in various business areas.

Since 2017, BPI has been using a Customer Feedback Database, which facilitates immediate routing of customer feedback from various touchpoints to the concerned business units, aimed at timely resolution or disposition of complaints and feedback provided to the clients. Complaints filed in the Customer Feedback Database are electronically routed to the Complaints Handling Team (CHT) of the business unit concerned, accompanied by an immediate email notification. Similarly, an e-mail notification is also automatically sent to the frontliner once feedback for resolution is provided by the CHT in the database. This Customer Feedback Database is continuously developed to strengthen the role of the frontliners in addressing and reporting customer issues. The complaints data gathered is a vital tool in identifying areas of concern and process improvements.

In July 2020, CXMO was changed to Client Experience Center (CXC) and the reorganization integrated all the major customer touchpoints which is part of the Bank's next phase of its transformation journey as we refocus our efforts on customer experience. CXC is composed of Contact Center, Customer Care, Service Quality Assurance and Governance. The Service Quality Assurance unit conducts a Service Quality Review (SQR), where various business units present their performance updates on their defined service quality goals. Business process improvements are discussed to deepen customer engagement and address specific customer needs. There are also related policies in place such as the BPI Financial Consumer Protection Program and Complaints Management and Reporting to properly equip our bank personnel in the handling of customer feedback. Preventive measures and treatment plans from business units with top customer concerns are discussed in the Service Quality Review (SQR) appropriate service improvements and customer satisfaction.

As part of our CAP, different touch points or channels are in place where clients can file their feedback. These include our Contact Center via phone, e-mail, and social media accounts, Customer Care, branches, and the business units. Our employees are guided by the internal bank policies in handling complaints and CAP where client feedback, specifically complaints, are classified with corresponding turn-around-time which are responded accordingly.

The Bank monitors customer feedback concerning its products and services, determines root cause of significant issues, and implement appropriate actions to address these issues, ensuring that the most pressing and important issues raised by clients are resolved within the committed turnaround times. In 2020, complaints count decreased by 28% from 2019. The compliance rate for complaint resolution to our internal turn-around time was 91%, up from 88% in 2019. As of year- end 2020, from the complaints received, 96% have been resolved. The enterprise-wide complaint report is regularly reported to BPI Senior Management and BSP.

Percentage of complaints versus total transactions, or complaint intensity, decreased by 38% from 2019 to 2020. This is calculated as every one (1) complaint per transaction.

Since the establishment of the Framework in 2017, we have fully complied with product and service information and labeling regulations and/or voluntary codes. In 2020, there were no confirmed incidents of non-compliance.

See pages 150 to 151 for more information on financial product governance and financial consumer protection program.

	2018	2019	2020
Complaints versus total transactions	0.028%	0.017%	0.010%
Complaints (in Thousands)	424.4	415.9	300.9
Transactions (in Millions)	1,540.8	2,383.7	2,871.7

SUPPLY CHAIN MANAGEMENT

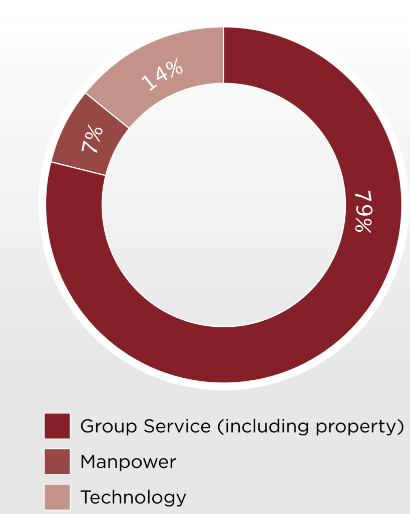
The Facilities Services Group (FSG) facilitates the supplier accreditation application and renewal request on behalf of the proponent business units. Business units conduct vendor and service provider reviews and vetting for their specific vendors such as advertising partners, office supplies and IT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

Our engagements with service providers, contractors, and suppliers follow our internal general policy on third-party engagement; policies on managing the accreditation and dis-accreditation of suppliers; and accreditation criteria and document requirements for suppliers and other service providers. These policies enables us to identify vendors who meet quality standards.

Our required accreditation documents include permits, licenses, certificates, and proof of authority in order to assess vendors for their suitability, as well as environmental and social compliance. Examples of these, depending on the nature of business are: business permits; Mayor's Permit – which requires a sanitary permit and payment of environment-related fees; certifications from the Department of Labor and Employment; and licenses from the Philippine Contractors Accreditation Board and Department of Transportation and Communications. Suppliers undergo a re-accreditation process every year, requiring an evaluation from proponent business units and resubmission of permits, licenses, certificates, and proof of authority.

In 2020, our supplier pool consisted of 336 local and 72 foreign accredited suppliers – a 14% decrease from 2019 due to non-renewal of expired accreditation of vendors under proponent business units. We paid a total of Php 15.4 billion for products and services rendered by these contractors, suppliers, and other providers.

BPI SUPPLIERS BY INDUSTRY CATEGORY



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Gayares, Marita Socorro D.
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Amado, Frances S.
Bobadilla, Anna Liza O.
Gealogo, Noravir A.
Maramag, Angela Pilar B.
Paz, Jonathan John B.
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Villaflores-Balatan, Melissa B.

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Cruz, Socorro Jessymel T.
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Lim, Maria Teresa Anna K.
Lim, Steven S.
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Yulo, Lizbeth Joan P.

BPI INTERNATIONAL FINANCE LTD.
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Vice President
De Jesus, Ma. Cynthia Leticia S.

BPI FOUNDATION
Executive Director
Cammayo, Owen L.

CORPORATE **GOVERNANCE**

At the start of a new decade, the vital role that Corporate Governance plays in providing the BPI Board of Directors with the means to effectively navigate the unexpected, manage crises, capture opportunities and adopt strategies for long-term survival and growth, has become even more marked and distinct.

OVERVIEW

The year 2020 tested the resilience of Philippine business and gauged how quickly the banking industry could pivot to meet unprecedented governance challenges on a massive scale: the complex new reality of COVID-19 that introduced a still ongoing health and public safety crisis and continuing business disruption of undetermined depth, duration and long-term impact; the natural calamities - beginning with the Taal volcano eruption in January, earthquakes and typhoons Rolly and Ulysses in the latter part of the year - which required urgent responses to protect lives and livelihood and also raised expectations for greater private sector societal engagement and corporate citizenship; and the ensuing economic downturn, closure of businesses and loss of jobs and employment that has heightened demands and pressures from various stakeholder groups and created more uncertainty about the future.

In many ways, the COVID-19 pandemic has already proved to be an inflection point for corporate governance. While it has pushed companies' business continuity programs into overdrive and accelerated the utilization of technology in all areas of business operations and communications, it has also tested the abilities of Boards of Directors to deliberate, virtually, in a more thorough, thoughtful, and efficient manner and come to a conclusion around key issues which encompass and underscore the importance of material non-financial ESG matters. Certain key governance principles – including those that relate to the board/management dynamics, levels of director engagement, and oversight of particular management functions – have also been changed, perhaps permanently, by the pandemic.

The pandemic has also drawn attention to the need for a more active role of the Board of Directors in monitoring companies' relationships with their core stakeholders – customers, employees, suppliers, communities, shareholders, regulators, and government. Board and management must have a common understanding of the company's purpose, strategy, and framework defining the company's stakeholders and responsibilities to each. In this respect, BPI has long established how its products and services create shared value for our clients, shareholders, and society as a whole, and the COVID-19 pandemic gave the Bank an opportunity to actuate this further.

The Board of Directors continued to further future-proof its corporate governance practices as highlighted by the following:

1. **Enhancing the Bank's existing reporting and information systems that are integral to the Board's exercise of oversight.** As reported in other sections of this Integrated Report, BPI put in motion business continuity plans, specifically a pandemic response plan and protocol for the entire organization, revolving around travel curtailment, remote work (home/remote site) and reduced in-person meetings. It also maximized the use of technology to enable work of directors, officers, and employees to continue. This ensured that the Board was able to receive relevant information in a timely manner to oversee management's response and monitor material business risks and red flags resulting from the COVID-19 pandemic.

2. **Reviewing and testing the robustness of Board and Key Officer succession plans.** BPI charts a path of deliberate renewal to ensure that the Bank, as an organization, grows, prospers, and adapts creatively and sustainably to the changing economic, social, and environmental landscape. This process of intentional succession planning allows the Bank to continually build a deep leadership bench to position it for long-term success.

CORPORATE GOVERNANCE

In the 2020 Annual Stockholders' Meeting (ASM), Mr. Ramon R. Del Rosario, Jr. was elected to the Board, taking the place of outgoing Non-Executive Director Gerardo C. Ablaza, Jr.

Also, at the Board meeting held on December 16, 2020, Jose Teodoro K. Limcaoco was nominated to succeed Cezar P. Consing as President and CEO of BPI.

3. **Constantly improving board evaluation processes and disclosures for greater board effectiveness and accountability.** The first External Board of Directors Assessment for BPI was successfully concluded in August 2020. Conducted by Aon Hewitt Singapore Pte. Ltd., the externally-guided board assessment exercise objectively brought new perspectives and issues to the Board's attention and, more importantly, meaningfully enhanced the objectivity and rigor of the process and results.

4. **Establishing the right cadence for protection of shareholder rights and keeping critical business stakeholders abreast of the Bank's operations.** The very nature of the COVID-19 pandemic introduced a myriad of financial reporting issues and made robust and transparent disclosure more challenging since regulations were not yet in place to provide for fully virtual or online communication processes and activities. This also became especially crucial since companies needed to provide timely updates to shareholders and investors regarding the pandemic's current and future impact on the business. More importantly, companies also had to reassure shareholders that their exercise of their rights was not hampered by the pandemic

Despite the imposition of the Enhanced Community Quarantine beginning March 15, 2020 over Luzon, and in particular, over the National Capital Region, covering operations and regulatory reporting of publicly-listed companies and BSP Supervised Financial Institutions, BPI proceeded with the conduct of an ASM and submission of its annual reports in April 2020 – the only one among the Top 10 Banks to have conducted its ASM as scheduled at the height of the pandemic and lockdown and to have submitted its integrated report and regulatory reports on time, as well.

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

LEADERSHIP

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

At the Organizational Meeting of the Board of Directors following the 2020 ASM, the following were re-appointed as members of the Advisory Council:

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

Board of Directors

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

In discharging their oversight responsibilities, the Board provides challenge, oversight, and advice to ensure that BPI continues to do the right things the right way.

Considering the Bank's role in the BPI group as parent and publicly listed company, the Board ensures that BPI maintains an effective, high-level risk management, and oversight process across all companies in the group, with due consideration for the group's business and reputation, the materiality of financial and other risks inherent in the business, and the relative costs and benefits of implementing specific controls.

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

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

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

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

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

Under the leadership of the Chairman, the Board creates the framework within which the Bank's executive team, headed by the President and CEO, steers the business. As stated in the Bank's MCG, the Chairman: (1) provides leadership and governance to create an environment for the overall Board's and individual Director's effectiveness, and ensures that all key and appropriate issues are discussed by the Board in a timely manner, (2) ensures that the Board is able to actively participate in the development and determination of the Bank's strategies and policies, and that Board decisions are made in the Bank's best interests and fairly reflect Board's consensus, (3) forges a positive and constructive working relationship between the Board and management, and (4) establishes good corporate governance practices and procedures and promotes the highest standards of integrity, probity and corporate governance throughout the Bank and particularly at Board level.

Chief Executive Officer. The CEO reports directly to, and is accountable to, the Board for the performance of the Bank. As defined in the MCG, the CEO (1) leads the development and execution of short- and long-term strategies, (2) communicates on behalf of the Bank with shareholders, regulators, and the public, (3) evaluates the work of other executive leaders within the Bank, (4) implements the Bank's vision and mission, and (5) ensures that management's reports to the Board provide relevant, accurate, timely and clear information necessary for the Board to fulfill its duties. (Recommendation 5.4, SEC CG Code for PLCs).

Lead Independent Director. At the Organizational Meeting of the Board, following the 2020 ASM, Independent Director Octavio Victor R. Espiritu was appointed as Lead Independent Director.

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

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

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

CORPORATE GOVERNANCE

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

- Governance – ensuring that corporate responsibility and ethical standards underpin the conduct of BPI's business; developing succession plans for the Board and CEO; and establishing the general framework of corporate governance for the Bank;
- Strategy - reviewing BPI's strategic and business plans; growing the business sensibly; and building resilience into the franchise (Recommendation 2.2, SEC CG Code for PLCs).
- Risk management – ensuring that effective risk management, compliance, and assurance processes undergird our business;
- Financial performance – monitoring management performance and achievement of goals and targets;
- Sustainability – considering environmental, social, and governance (ESG) issues and including these as part of the Bank's strategy.

In the Board strategy session last November 9, 2020, the Board and the Senior Management committee reviewed and approved the Bank's mission and vision and strategic plans for the coming years. (Recommendation 2.1, 2.2, 2.12, 8.7 SEC CG Code for PLCs).

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

Composition and Qualification

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

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

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

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

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

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

Board membership was reinvigorated during the Bank's ASM on April 23, 2020, with 14 of the newly-refreshed 15-member board comprised of Non-Executive Directors, safeguarding independent oversight of management. This is in compliance with BSP Circular No. 969, "Enhanced Corporate Governance Guidelines for BSP-Supervised Institutions" and in adherence to Recommendation 1.2 of the SEC CG Code for PLCs.

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

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

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

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

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

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

Diversity

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

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

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

CORPORATE GOVERNANCE

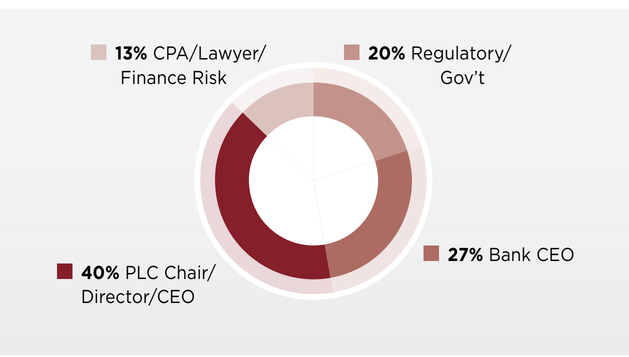
APPOINTMENT AND YEARS OF SERVICE OF BOARD OF DIRECTORS

as of December 31, 2020

Director's Name	Type of Director[1]	Date First Elected	Date Last Elected	Manner of Election	No. of Years as Director of BPI[2]
Jaime Augusto Zobel de Ayala	NED	03/13/1990	04/23/2020	Annual Meeting	30.8
Fernando Zobel de Ayala	NED	10/19/1994	04/23/2020	Annual Meeting	26.2
Romeo L. Bernardo	NED	02/1998	2001	Annual Meeting	3.0
	ID	08/21/2002	04/24/2019		15.7
	NED	04/25/2019	04/23/2020		1.7
Ignacio R. Bunye	ID	04/14/2016	04/23/2020	Annual Meeting	4.7
Cezar P. Consing	NED	02/1995	01/2000	Annual Meeting	5.0
	ID	08/18/2004 04/15/2010	01/01/2007 04/18/2013		2.3
	ED	04/19/2013	04/23/2020		7.7
Octavio Victor R. Espiritu	NED	04/07/2000	04/03/2003	Annual Meeting	3.0
	ID	04/03/2003	04/23/2020		17.7
Rebecca G. Fernando	NED	10/18/1995	12/31/2007	Annual Meeting	12.2
	NED	03/31/2009	04/23/2020		11.8
Xavier P. Loinaz[3]	ED	03/10/1982	12/31/2004	Annual Meeting	22.8
	NED	01/01/2005	03/30/2009		4.2
	ID	03/31/2009	10/21/2020		11.5
Aurelio R. Montinola III	ED	01/12/2004	04/17/2013	Annual Meeting	9.3
	NED	04/18/2013	04/23/2020		7.7
Mercedita S. Nolledo	NED	11/20/1991	04/23/2020	Annual Meeting	29.0
Antonio Jose U. Periquet	ID	04/19/2012	04/23/2020	Annual Meeting	8.7
Cesar V. Purisima[4]	ID	01/20/2021	01/20/2021	Board Meeting	-
Eli M. Remolona, Jr.	ID	04/25/2019	04/23/2020	Annual Meeting	1.7
Maria Dolores B. Yuvienco	NED	04/10/2014	04/13/2016	Annual Meeting	1.7
	ID	04/14/2016	04/23/2020		5.7
Jose Teodoro K. Limcaoco	NED	02/20/2019	04/23/2020	Annual Meeting	1.8
Ramon R. Del Rosario, Jr.	NED	04/23/2020	04/23/2020	Annual Meeting	0.7

1Type: Executive (ED), Non-Executive (NED), Independent (ID)
2Based on Type of Director
3 Resigned as of 21 October 2020
4 Elected as BPI Director on 20 January 2021

SKILLS & EXPERIENCE



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

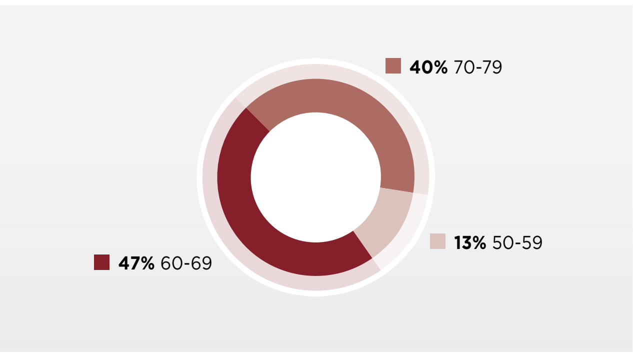
Apart from the President and CEO, BPI had four former bank CEOs on its Board, prior to the resignation of Independent Director Xavier P. Loinaz in October 2020. Collectively, they provide a wealth of technical, banking, and risk management experience. More importantly, they also embody prudent judgment and integrity characterized by sound decision- making and professionalism. As bank CEOs, they are also hardwired to understand what matters in the business and driven to build strategies to win that trust. (Recommendation 1.1, SEC CG Code for PLCs).

Two-fifths of the Board are directors of publicly-listed companies that include business leaders at the helm of the country's top companies and conglomerates. Unchallenged in their depth of understanding and appreciation of what the Bank needs to do to continue its almost 170-year legacy as the principal architect of the country's financial inclusion landscape, they also safeguard its listed status, protect shareholder rights, and strengthen investor relations.

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

Last but not least, a healthy respect and cautious, heedful, and constructive regulatory perspective is also brought onboard by 20% of the directors.

AGE DIVERSITY

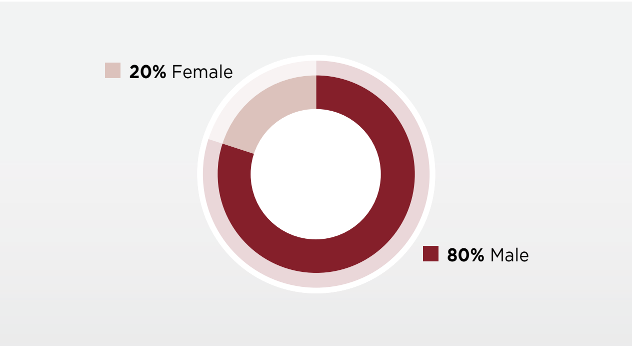


The Board recognizes that age diversity is an important factor to achieving diversity of thought. Its experienced directors bring to the Board the benefit of having seen several business cycles and thus provide unique perspective and insight. The Board also values having younger directors, who may be better attuned to the rapidly evolving environment, particularly when it comes to disruption and digitalization of financial services. But while the business landscape is always changing and fine-tuning the composition of company boards to include younger directors may help a board stay more relevant, the Board also puts great value on the top two most prevalent skills of board members between the ages of 60 and 79: finance and governance[1]. Eighty-seven percent of the directors on the Board fall in this age range.

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

CORPORATE GOVERNANCE

GENDER DIVERSITY

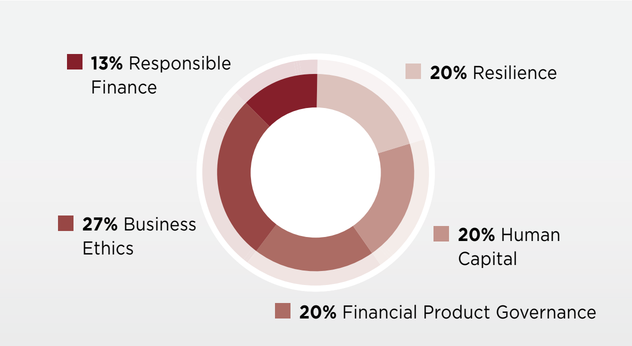


The Bank believes it should rebalance the organization's Board in a manner that reflects the up-to-date operating requirements of the Bank, current resource levels for director talent, and long-term interests of the shareholders. Therefore, setting a target quota with respect to gender parity runs contrary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

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

In 2020, 3 out of 15 or 20% of the Board was comprised of women, which included one Independent Director. Best global practice recommends at least three female directors in a 7-member or larger board.

ESG INVOLVEMENT



Based on global surveys on the environmental and social profile and vulnerabilities of companies in financial services, the key ESG issues for the banking sector include: Resilience, Business Ethics, Responsible Finance, Financial Product Governance, and Human Capital. Composition of our 2020 Board shows that there is a balanced distribution of our directors with respect to their skills, work experience, background and current involvement, knowledge and understanding of these key ESG issues, and preferences of stakeholders.

Measurable Diversity Objectives or Targets. Best practice under the SEC Code of Corporate Governance for Publicly-Listed Companies recommends the establishment of measurable objectives or targets for achieving board diversity. In this respect, the following are the Board's diversity goals, considered as rolling targets over a 5-year period, that, together with the Board Skills and Expertise Matrix, are reviewed annually and updated as needed:

1. Number of Female Directors on the Board: At least 2.
2. Target Number of Independent Directors on the Board: At least 5.
3. At least 1 director with knowledge of IT systems and technology governance in the financial services industry.
4. At least 1 director with marketing and customer management expertise.

Progress towards the diversity goals are also made through one or more of the following activities:

- Increasing the number of female candidates to be considered for the shortlist of nominees for the election of the board of directors at the annual stockholders' meeting.
- Conduct of a regular review of list of retired bank employees for consideration of directorship positions within parent, subsidiaries and affiliates.
- Close coordination within Ayala Group of Companies for information on and shortlisting of independent candidates.
- Liaison and relationship development with regulators for information on possible candidates for directorship.
- Use of professional search firms/industry databases and associations to shortlist candidates.

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

Security Ownership of Directors and Officers. Beneficial ownership and control structures of the Bank are disclosed, noting that such information is important in detecting and preventing tax evasion, corruption, money laundering, terrorist financing and other unlawful activities. This also guards against conflicts of interest and concentrated ownership such as when there are controlling beneficial owners with large voting blocks. None of the members of the Bank's Board of Directors and management owns 2.0% or more of the outstanding capital stock of the Bank. (Recommendation 8.2 SEC CG Code for PLCs).

As of December 31, 2020, the following are known to BPI to be directly the record and/or beneficial owners of BPI voting securities:

Title of Class	Name of Beneficial Owner	Position	Dec 2019		Dec 2020		Nature of Ownership (D) Direct (I) Inderect	Citizenship
			No. of Shares	% of Holdings	No. of Shares	% of Holdings		
Common	Jaime Augusto Zobel de Ayala	Chairman, NED	9,628	0.00%	9,628	0.00%	D	Filipino
Common	Fernando Zobel de Ayala	Vice-Chair, NED	89,137	0.00%	89,137	0.00%	D	Filipino
Common	Cezar P. Consing	ED, President & CEO	2,659,099	0.06%	2,809,099	0.06%	D	Filipino
Common	Gerardo C. Ablaza, Jr.[1]	Director	193	0.00%	N/A	N.A	D	Filipino
Common	Romeo L. Bernardo	NED	12	0.00%	12	0.00%	D	Filipino
Common	Ignacio R. Bunye	ID	118,032	0.00%	133,452	0.00%	D	Filipino
Common	Ramon R. Del Rosario, Jr.[2]	NED	N/A	N/A	2,287	0.00%	D	Filipino
Common	Octavio Victor R. Espiritu	ID	1,225,110	0.03%	1,225,110	0.03%	D	Filipino
Common	Rebecca G. Fernando	NED	20	0.00%	20	0.00%	D	Filipino
Common	Jose Teodoro K. Limcaoco	NED	11,416	0.00%	11,416	0.00%	I/D	Filipino
Common	Xavier P. Loinaz[3]	ID	3,938,203	0.09%	N/A	N/A	D	Filipino
Common	Aurelio R. Montinola III	NED	1,794,863	0.04%	1,794,863	0.04%	D	Filipino
Common	Mercedita S. Nolledo	NED	59,502	0.00%	59,502	0.00%	D	Filipino
Common	Antonio Jose U. Periquet	ID	25,221	0.00%	25,221	0.00%	D	Filipino
Common	Eli M. Remolona, Jr.	ID	10	0.00%	10	0.00%	D	Filipino
Common	Maria Dolores B. Yuvienco	ID	5,813	0.00%	5,813	0.00%	D	Filipino
	SUB-TOTAL		9,936,259	0.22%	6,165,570	0.13%		

[1] Board member until April 22, 2020

[2] Elected as Board member effective April 23, 2020

[3] Resigned as Board member effective October 21, 2020

Title of Class	Name of Beneficial Owner	Position	Dec 2019		Dec 2020		Nature of Ownership (D) Direct (I) Inderect	Citizenship
			No. of Shares	% of Holdings	No. of Shares	% of Holdings		
Common	Antonio V. Paner[4]	EVP & Treasurer	221,564	0.00%	N/A	N/A	D	Filipino
Common	Maria Theresa Marcial Javier	EVP & CFO	262,994	0.01%	277,994	0.01%	D	Filipino
Common	Ramon L. Jocson	EVP & COO	13,783	0.00%	63,783	0.00%	D	Filipino
Common	Marie Josephine M. Ocampo	EVP	274,692	0.01%	286,692	0.01%	D	Filipino
Common	Juan Carlos L. Syquia	EVP	1,982	0.00%	1,982	0.00%	D	Filipino
	SUB-TOTAL		775,015	0.02%	630,451	0.02%		
	TOTAL		**10,711,274**	**0.24%**	**6,796,021**	**0.15%**		

[4] Retired as Treasurer effective January 1, 2020

N/A Not Applicable, not a Director as of the period

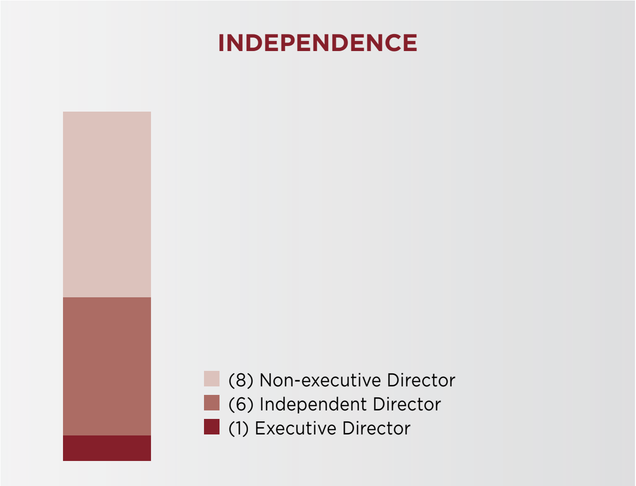
Independence

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

For the 2020 to 2021 Board term, six out of the 15–member board elected or 40% of the Board are classified as Independent, or having no interest or relationship with BPI at the time of election, appointment, or re-election. In the last quarter of the year, Independent Director Xavier P. Loinaz tendered resignation from the Board due to health reasons. However, at the Board meeting on January 20, 2021, Mr. Cesar V. Purisima was elected as a new Independent Director, subject to the confirmation/approval of the Monetary Board of the BSP, for the remainder of the 2020 to 2021 board term. Fourteen or 93% of the Board are Non-Executive Directors, who are not involved in the day-to-day management of banking operations. (Recommendation 1.2, 5.1 of SEC CG Code for PLCs).

BPI meets both the minimum BSP regulatory and the SEC CG Code requirements for the number of Independent Directors in its Board, who must make up at least one- third and not less than two. (Recommendation 5.1 of SEC CG Code for PLCs).

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



Term limits of Independent Directors. The MORB and SEC Mem.Cir.No. 9, Series of 2011 and No. 4, Series of 2017. Set a maximum cumulative term of nine (9) years for Independent Directors, reckoned from 2012. This is also stated in Recommendation 5.3 of the SEC CG Code for PLCs.

Powers of the Board of Directors. As stated in the BSP MORB, the corporate powers of a bank shall be exercised, its business conducted, and all its property controlled and held by its Board of Directors. The powers of the Board, as conferred by law, are original and cannot be revoked by the stockholders. The Directors hold their office, charged with the duty of exercising sound and objective judgment for the best interest of the Bank.

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

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

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

Transparent Nomination Process. Shareholders, including minority shareholders, may recommend candidates for board membership for consideration by the Nominations Committee. Such recommendations are sent to the Committee through the Office of the Corporate Secretary. Candidates recommended by shareholders are evaluated in the same manner as Director candidates identified by any other means. The Committee itself may identify and recommend qualified individuals for nomination and election to the Board.

For this purpose, the Committee utilizes information from professional search firms or external director databases when possible and maximizes all available information resources to search for qualified candidates. Members of the Committee recuse themselves in case of deliberations on their renomination. (Recommendation 2.6 of SEC CG Code for PLCs).

In 2020, in accordance with the resolution of the Board dated December 18, 2019, which was disclosed and reported to PSE and SEC, all nominations for election of Directors for the term 2020 to 2021 were required to be submitted to the Corporate Secretary not later than March 06, 2020. As of said date, there were only 15 nominees to the Board received by the Corporate Secretary and all the nominees confirmed their acceptance of said nomination. Ms. Rebecca G. Fernando was nominated by the Roman Catholic Archbishop of Manila and the rest of the nominees were formally nominated by Atty. Santiago L. Garcia, Jr., a long time stockholder of BPI who is not related to any of the nominees including the nominees for independent director. The nominations were subsequently processed and evaluated by the Nomination Committee of the Bank in a meeting called for that purpose and it was determined by the Committee that all the nominees (both regular Directors and Independent Directors) possess all the qualifications required by relevant law, rules, regulations and BPI's By-Laws and MCG and no provision on disqualification would apply to any of them. None of the nominees, directors and officers of the Bank works for the government.

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

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

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

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

The General Banking Law of 2000 (R.A. No. 8791) provides the BSP with powers to prescribe, pass upon, and review the qualifications and disqualifications of individuals elected or appointed as bank directors or officers and the power to disqualify those found unfit for positions of bank directors and officers.

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

One Share, One Vote Rule. The Bank's Amended By-Laws state that elections for the Board will be held yearly during the ASM. Voting for the election of members of the Board is considered on a poll, by shares of stock, that is, one share entitles the holder to one vote, two shares to two votes. Under this rule, any minority shareholder can nominate individuals and has the power to cumulate voting rights. The right to cumulative voting is a statutory right granted by the Corporation Code of the Philippines. The Bank also has no current practice that awards disproportionate voting rights to select shareholders. The fifteen nominees receiving the highest number of votes are declared elected.

Electronic Voting in Absentia. In its meeting held on February 26, 2020, the Executive Committee approved Management's recommendations for BPI to provide the Bank's shareholders with the option to vote in absentia in the 2020 ASM. Whether made in person or in absentia, the votes carry equal effect. This also allows shareholders who are unable to attend the ASM the opportunity to participate and vote. This was especially critical in 2020 when the Enhanced Community Quarantine was in effect and public gatherings were disallowed due to the COVID-19 pandemic. Hence, at the April 23, 2020 ASM, stockholders were able to effectively participate and had the option to cast votes in absentia through an online electronic system, as also provided for in the Revised Corporation Code.

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

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

The nomination and election processes and their effectiveness, are reviewed annually by the Nomination Committee during its review of the committee charter and its self-assessment, by its members, of committee performance.

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

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

Term of Directors. Directors are to hold office for a term of one year immediately upon their election and until the next election when their successor shall have been elected and qualified in accordance with the Bank's Amended By-Laws and the Corporation Code. In case any vacancy or vacancies should occur on the Board during the period between two ASMs, due to death, resignation or other causes, except removal, the remaining members of the Board, if still constituting a quorum, may fill said vacancy or vacancies by electing from among the stockholders. The stockholder or stockholders so elected shall act as a member or members of said Board until the election of a new Board of Directors.

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

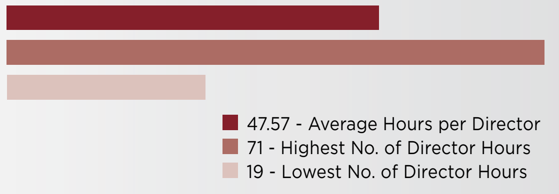
BPI directors are bound by the Board of Director's Code of Conduct to take into account their individual circumstances and the nature, scale and complexity of the Bank's activities in showing full commitment. They should be able to devote the time, schedule and attention necessary to its business interests,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

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

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

Interlocking Directorships. The Bank also complies with the relevant provisions of the MORB on interlocking directorships. The Board regularly reviews interlocking board memberships to determine whether any of these create real or possible conflicts of interest or impair the ability of the involved directors to exercise independent judgment.

TIME COMMITMENTS



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Time Commitments. A thematic review of Directors' time commitments, including a granular analysis of Board and Committee packs and minutes, shows that the total aggregate professional time commitment runs in excess of 650 hours a year, not including their commitments, if any, on other boards or organizations. On the other hand, the base time commitment of an individual Director is, on average, in the order of over 47 hours a year. Both figures do not include the significant time commitments of the Directors for preparation and review of documents for Board and Committee meetings, continuing education and training, and engagement with the executive team and stakeholders as needed. Factoring these in may easily double the estimated time spent in the performance of their duties and responsibilities as Director.

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

Only half of our Independent Directors hold more than two board level committee memberships each. Further, on average, our Directors have only 2.3 board-level committee memberships each. Best practice surveys dictate having no more than two committees per director as "busy" boards and directors tend to have worse long-term performance and oversight. This is especially important for Independent Directors who are mandated under BSP Cir. 969 to chair or be members of the risk and control board-level committees.

In the internal annual board effectiveness self-assessment exercise, Directors' time commitments are also reviewed to ensure that these are maintained at a level that allows legal obligations and responsibilities as board and committee members to be met and mitigates the potential risk that governance standards may be weakened. This strength was validated in the board effectiveness exercise conducted for the year 2020. (Recommendations 4.1, 4.2 and 4.3 of the SEC CG Code for PLCs).

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

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

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

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

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

Director	2019	2020
Jaime Augusto Zobel de Ayala	Advanced CG Training conducted by the ICD on August 09	Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit conducted by the ICD on November 10
Fernando Zobel de Ayala		
Maria Dolores B. Yuvienco		
Ignacio R. Bunye		
Cezar P. Consing		
Octavio Victor R. Espiritu		
Mercedita S. Nolledo		
Rebecca G. Fernando		
Romeo L. Bernardo		
Jose Teodoro K. Limcaoco		
Aurelio R. Montinola III		Corporate Governance Training conducted by the Risks, Opportunities, Assessment and Management (ROAM), Inc. on September 25
Xavier P. Loinaz*		Not Applicable
Antonio Jose U. Periquet	Corporate Governance Training conducted by GGAPP on July 17	Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit conducted by the ICD on November 10
Cesar V. Purisima**	Not Applicable	Advanced Corporate Governance Training conducted by the ICD on 15 October 2020 under Jollibee Foods Corporation
Eli M. Remolona, Jr.	Corporate Governance Orientation Program conducted by ICD on November 19	Ayala Integrated Corporate Governance, Risk Management and Sustainability Summit conducted by the ICD on November 10
Ramon R. Del Rosario, Jr.***	Not Applicable	Business Continuity Planning: Executive Briefing for Board Directors and Management conducted by Center for Global Best Practices on October 23

*Resigned as of October 21, 2020
**Elected as BPI Director on January 20, 2021
***Elected as BPI Director on April 23, 2020

Remuneration

BPI's remuneration policy for the Board and management is aligned with risk incentives and supports sustainable, long-term value creation. Apart from ensuring that Board and management pay appropriately reflects market and industry conditions and drives business strategy and financial performance, the policy likewise applies performance-based remuneration that rewards employees for their commitment to Bank's strategy.

Remuneration Principles. In proposing the remuneration policy, the Personnel and Compensation Committee (PerCom) ensures that the mix of fixed and variable pay, in cash and other elements:
- Meets the Bank's needs and strategic objectives based on targets that are stretching, verifiable, and relevant;
- Accurately reflects recorded performance measures and promotes a pay-for-performance culture;
- Governs vesting of long-term incentives that are monitored and tied in to risk-assessments to align remuneration with the Bank's long-term strategy and shareholder interests and encourage the long-term commitment of employees. (Recommendation 2.5 of SEC CG Code for PLCs).;
- Reflects market rates and the challenge of attracting, retaining and competitively rewarding key staff with the ability, experience, skills, values, and behaviors to deliver bank goals.

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These principles of paying competitively and paying for performance applies equally to the Board, President & CEO, officers, employees and staff.

Other remuneration policies include:

- All salary programs are subject to the approval of the PerCom and the Board.
- The remuneration policy is reviewed annually to ensure that it remains competitive and consistent with the Bank's high-performance culture, objectives, long-term outlook, risk assessment, and strategies.

Total Compensation Elements. The PerCom ensures that a transparent compensation structure is in place, with a clear link between compensation and the Bank's objectives as well as a strong emphasis on the interests of the shareholders.

Fixed Pay Element. The fixed pay component is set at an appropriate level and considers industry and market rates as well as skills, competencies, responsibilities, and performance of the employee. It is reviewed at least annually.

- In this respect, salary surveys conducted by external compensation consultants are also used as references for employee salary benchmarking purposes.
- An annual merit increase may be granted upon Management's discretion based on the employee's performance.

Variable Pay Element. The variable pay component is performance-linked and based on the Bank, business or support unit and individual performance towards attainment of the overall Bank goals.

- It is measured against a balanced scorecard which includes financial and strategic metrics such as: revenues, loan volume, earnings, earnings per share, return on equity, return on assets, capital strength and risk containment, as well as non-financial metrics like corporate governance, customer satisfaction, adherence to corporate values, contributions both to operating unit and company-wide achievement, including any ESG factors which may be relevant to the evaluation of an employee's performance in the context of the Bank's sustainability objectives.
- All employees' performance is assessed by what is achieved and how it is achieved in line with BPI's core values.
- This performance bonus may be given upon management's discretion, subject to the endorsement of the PerCom and approval of the Board.

Director Remuneration. Under the Bank's Amended By-Laws, as approved by the shareholders, the Board, as a whole, determines the level of remuneration and/or benefits for Directors sufficient to attract and retain directors and compensate them for their time commitments and responsibilities of their role. (Recommendation 8.4 of SEC CG Code for PLCs). The Percom recommends to the Board the fees and other compensation for Directors, ensuring that compensation fairly remunerates Directors for work required in a company of BPI's size and scope.

- As provided by the Amended By-Laws and pursuant to a Board resolution, each director is entitled to receive fees and other compensation for his services as director. The Board has the sole authority to determine the amount, form, and structure of the fees and other compensation of the directors.
- In no case shall the total yearly compensation of the Board exceed 1% of the Bank's net income before income tax during the preceding year.

This relationship between remuneration and performance, which aligns remuneration of the Board of Directors with the long-term interests of the Bank, is in adherence to Recommendation 2.5 of the SEC CG Code for PLCs.

Remuneration Structure. Directors receive per diems for each occasion of attendance at meetings of the Board or of a board committee. Other than the usual per diem arrangement for Board and Committee meetings and the aforementioned compensation of Directors, there is no other standard arrangement as regards to the compensation of directors, directly or indirectly, for any other service provided by the directors for the last completed fiscal year.

- All fixed or variable remuneration paid to directors may be given, upon recommendation of the PerCom.
- Directors with executive responsibilities within the BPI group are compensated as full-time officers of the company, not as Non-Executive Directors.
- No Director participates in discussions of the remuneration scheme for himself or herself.
- Historically, total compensation paid annually to all directors has been significantly less than the cap stipulated by the Bank's Amended By-Laws.

In 2020, the Board of Directors, as a whole, received a total of Php 83.9 million as fees and other compensation for the services they rendered.

President & CEO and Senior Management Remuneration.
The Board, through the PerCom, annually approves the remuneration payable to the President & CEO and Senior Management, which includes Executive Vice Presidents and Senior Vice Presidents who have the authority and responsibility for the Bank's overall direction and strategy execution. The PerCom monitors and assesses how the remuneration was implemented each year and ensures that it corresponds to the remuneration policy.

Remuneration Structure. Remuneration for the President & CEO and Senior Management is set in the same way as for all employees being contractually fixed, based on the role, the skills and experience of the individual, and reviewed annually with reference to relevant market benchmarks. Remuneration for Senior Management, as reflected in the ratio between fixed and variable components of their total compensation, changes according to performance, rank, and function (Recommendation 8.4 of SEC CG Code for PLCs).

- Apart from the key performance indicators discussed in the foregoing section on Total Compensation Elements, the Percom ensures that Senior Management remuneration and incentives reflect prudent risk-taking and effective control.
- Salary reviews (covering fixed and variable compensation) are done annually to ensure market competitiveness of the senior officers' total remuneration. The Bank also participates in Executive and Total Remuneration Surveys to benchmark on its market positioning.

The remuneration of the Chief Risk Officer (CRO) and that of the Chief Compliance Officer (CCO) and Chief Audit Executive (CAE) are reviewed and endorsed by the Risk Management Committee and the Audit Committee respectively and subsequently approved by the Board. The performance of control functions (Audit, Compliance and Risk) are assessed independently from the business units they support to prevent any conflicts of interests.

Alignment with Long-term Shareholder Interests.
The Board, through the PerCom, also established long-term incentive programs, which are aligned with shareholder interests. The Executive Stock Option Plan (ESOP) and Executive Stock Purchase Plan (ESPP) give officers the opportunity to buy shares of stock in BPI at a discounted price. (Recommendation 2.5 SEC CG Code for PLCs). Details on the ESOP and ESPP can be found in Note 18 of the Audited Financial Statements.

In 2020, the level of remuneration for the most senior executive officers of the Bank is as follows:

Name	Salary*	Bonuses*	Other Salary
Cezar P. Consing *President & CEO*** Ramon L. Jocson *EVP & Chief Operating Officer* Maria Theresa Marcial Javier *EVP & Chief Finance Officer* Marie Josephine M. Ocampo *EVP* Juan Carlos L. Syquia *EVP*	P 158,818,822	P 95,507,700	None

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

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

Meetings and Attendance

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

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

Board Meetings in 2020 were held on the following dates:

Date of Meeting	Nature of Meeting
January 29	Regular
February 19	Regular
March 18	Regular
April 23	Regular
April 23	Organizational
May 20	Regular
June 17	Regular
July 15	Regular
August 19	Regular
September 16	Regular
October 21	Regular
November 09	Strategic Planning
November 18	Regular
December 15	Special (NED)
December 16	Regular

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

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

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

Director Attendance. In 2020, average attendance of elected Directors of the Board's 15 meetings was 99.125%. When exigencies prevent a Director from physically attending a Board or board committee meeting, facilities for telephone conferencing are made available. In instances when a Director is unable to attend meetings even through teleconferencing due to prior commitments or unavoidable events, the said Director provides input to the chairman so that his views can be known and considered.

Meetings Held Remotely. The COVID-19 pandemic saw the Bank's quick adoption of virtual meeting platforms and investment in the necessary equipment, video and web conferencing software, including provision of training for Directors and establishment of virtual meeting protocols for both the Board and Management. These alternative means of communication for Board and board committee meetings followed BSP and SEC guidance on the conduct of meetings held remotely by electronic means. Likewise, rules and procedures relating to presence of a quorum, notices, agenda setting, voting, conflicts of interest, when meetings can be called and held, etc., continued to follow rules and procedures for meetings held in person. All directors in attendance at the meetings held remotely by electronic means are able to hear, participate and communicate 'live' in the discussions and decisions made at the meetings.

No. of Meetings Attended in 2020		
Name	Attended/ Total	In Percentage (%)
Jaime Augusto Zobel de Ayala Re-elected	15/15	100%
Fernando Zobel de Ayala Re-elected	15/15	100%
Cezar P. Consing Re-elected	15/15	100%
Gerardo C. Ablaza, Jr.* Not Re-elected	3/3	100%
Romeo L. Bernardo Re-elected	14/15	93%
Ignacio R. Bunye Re-elected	15/15	100%
Octavio Victor R. Espiritu Re-elected	15/15	100%
Rebecca G. Fernando Re-elected	15/15	100%
Jose Teodoro K. Limcaoco Re-elected	15/15	100%
Xavier P. Loinaz** Re-elected	10/10	100%
Aurelio R. Montinola III Re-elected	14/15	93%
Mercedita S. Nolledo Re-elected	15/15	100%
Antonio Jose U. Periquet Re-elected	15/15	100%
Eli M. Remolona, Jr. Re-elected	15/15	100%
Ramon R. Del Rosario, Jr.*** Newly-elected	12/12	100%
Maria Dolores B. Yuvienco Re-elected	15/15	100%

*Board member until 22 April 2020
**Resigned as a Board Member effective 21 October 2020
***Elected as Board member effective 23 April 2020

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

Meeting Materials. Board and board committee reference materials are made available to the directors prior to the scheduled meeting. As an innovation to board governance, all materials for Board and board committee meetings are uploaded through a secure system onto individual tablet devices specifically provided to the Directors to ensure immediate receipt and quick access.

Annual Strategic Planning Meeting. The Board and senior executives attend each year, a strategy session, held offsite when possible, to engage in dynamic and in-depth strategic discussion on the Bank's medium and long-term plans. For last year, this was held on November 9, 2020.

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

The NED meeting held on December 15, 2020 facilitated an open discussion of ongoing initiatives and semestral performance of the Bank. The meeting was chaired by the Lead Independent Director and was also attended by the control heads – Chief Risk Officer, Chief Audit Executive and Chief Compliance Officer as well as the external auditor.

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

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Access to Information

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

The Board has separate and independent access to the Corporate Secretary, who serves as adviser to the Directors on their responsibilities and obligations and oversees the adequate flow of information to the Board prior to meetings (Recommendation 1.5 of the SEC CG Code for PLCs). To provide directors with all the information and assistance necessary to prepare for meetings or obtain clarification for any relevant matters, this access to the Corporate Secretary is unhampered, unlimited and direct. Directors may simply request such information by phone, email, written communication or in person, from the Corporate Secretary who in turn will give them all the information and assistance they will need to prepare for the meeting or clarification of any relevant matters.

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

All Directors and board committees also have unrestricted access to company records and information in addition to receipt of regular detailed financial and operational reports from Senior Management.

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

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

- Serve as an adviser to the directors on their responsibilities and obligations;
- Keep the minutes of meetings of the stockholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and Directors as appropriate;
- Keep in safe custody the seal of BPI and affix it to any instrument requiring the same;
- Have charge of the stock certificate book and such other books and papers as the Board may direct;
- Attend to the giving and serving of notices of Board and shareholder meetings;
- Be fully informed and be part of the scheduling process of other activities of the Board;
- Prepare an annual schedule of Board meetings, including the regular agenda, and put the Board on notice of such agenda at every meeting;
- Oversee the adequate flow of information to the Board prior to meetings. Materials for approval or for information shall be given to the Directors in advance prior to the date of meeting to give them the chance to study and ask questions if necessary, even before the meeting itself; and
- Ensure the fulfilment of disclosure requirements to the SEC and PSE.

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

See Appendix for the full biography of our Corporate Secretary.

Performance Evaluation and Self-Assessment

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

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

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

The Corporate Governance Committee processes and tabulates the results of the self-assessments and communicates them to the Board. Areas for improvement are discussed by the Board, in order to agree on remedial actions. The Corporate Governance Committee may also develop recommendations and action plans for the Board, whenever necessary and desirable.

In this respect, the Board conducted its 2020 annual performance evaluation in early 2021. Directors assessed that the Board as well as its committees and individual directors had performed their duties and responsibilities effectively for the past year and that there were no material issues with respect to membership, governance, and operations. This also included an assessment of the President and CEO.

Third-Party External Performance Evaluation. In pursuit of best practices, the Bank engaged in 2020 a third-party external facilitator, Aon Hewitt Singapore Pte. Ltd., to conduct a separate Board Assessment covering the 2019 to 2020 board term.

BSP Circular 969 states that the annual self-assessment of the Board may be facilitated by the corporate governance committee or external facilitators. The SEC Code of Corporate Governance for Publicly-Listed Companies, similarly states in Recommendation 6.1, that the conduct of the annual self-assessment of the Board is to be supported by an external facilitator every three years to improve objectivity of the assessment process. The external facilitator can be any independent third party such as, but not limited to, a consulting firm, academic institution, or professional organization.

The results of the external assessment (the "Aon Report"), which forms part of BPI's compliance with BSP Cir. 969 and SEC Memorandum Circular 19, Series of 2016, were presented to the Corporate Governance Committee at its meeting on August 27, 2020, which endorsed the same to the Board. Subsequently, the Board noted the results and recommendations in the Aon Report in its meeting on September 16, 2020.

CORPORATE GOVERNANCE

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

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

Skills and Expertise Matrix Board Term: 2020 to 2021	
Competency Area	**Competencies (Skills, Experience, Attributes)[1]**
Core Personal Attributes	• History of ethical behavior (prior or current directorships in other publicly-listed companies or confirmation from regulatory bodies such as the BSP and SEC) • Availability (based on number of current directorships) • Relevant and distinguished professional career (as may be determined from bio-data)
Board/ Corporate Governance experience	• Knowledge and experience in a system for the oversight of decision-making, actions and behavior, and governance structures (as may be determined from candidate's bio-data/professional career) • Commitment to high standards of corporate governance (prior or current directorships and if publicly-listed companies, classification as a director)
Executive Leadership/ Management Skills	• Senior executive perspective of running a large organization or bank • Experience with stakeholder management (as may be determined from bio-data/ professional career)
Specialized Skills or expertise: • Accounting or Internal Control • Risk Management • Technology • Marketing/Sales and Customer Management • Organizational Development • Public and Regulatory • Banking • ESG Experience of Involvement	• Qualified financial expertise, education, and training • Ability to understand financial statements, assess adequacy and integrity of financial controls and reporting • Knowledge of and experience with risk management models and methods • Experience in information technology systems, or experience in technology governance in the financial services industry • Experience in organizational/talent development, including executive performance, change management, remuneration frameworks, etc. • Experience in public and regulatory policy or working in government, public administration (as may be determined from bio-data/professional career, education and training)

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

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

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

Succession Planning and Talent Management.

Financial services today face many transformative factors— regulation, market disruption, new technologies and business models, competition—that affect the business in major and long-term ways. The Board understands that the Bank must continually evolve, adapt, and even restructure the business to remain ahead of strategic, market, technology, and regulatory shifts. In the same way, the Board and Senior Management leadership must also respond to and anticipate future changes.

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

CORPORATE GOVERNANCE

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

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

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

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

In the 2020 ASM, Mr. Ramon R. Del Rosario, Jr. was newly-elected to the Board, taking the place of outgoing Non-Executive Director Gerardo C. Ablaza, Jr. who had served on the Board since 2017.

In the last quarter of the year, due to health reasons, Independent Director Xavier P. Loinaz tendered resignation from the BPI Board of Directors, which was accepted by the Board at its regular meeting on October 21, 2020. At its meeting on January 20, 2021, the Board approved the election of Cesar V. Purisima as Independent Director subject to the confirmation/approval of the Monetary Board of the BSP.

President & CEO Succession. As part of the executive planning process, the Percom as a whole or a part thereof, in consultation with the Board, the Nomination Committee and the President and CEO, evaluates and nominates potential successors to the President and the CEO (Recommendation 2.4, 2.8 of the SEC CG Code for PLCs). Succession planning has effectively ensured leadership continuity in the last three decades, witnessing three President and CEO changes, marked by early planning and mentoring, smooth organizational and operational transitioning, and prudent but progressive institutional building at BPI and across the BPI group.

In this regard, the BPI Board of Directors, at its meeting held on December 16, 2020, approved a succession plan for its President and CEO, as recommended by its Nomination Committee and Personnel and Compensation Committee. Jose Teodoro K. Limcaoco was nominated to succeed Cezar P. Consing as President and CEO of BPI at the next organizational meeting of the Board immediately following the Bank's Annual Stockholder's Meeting scheduled on April 22, 2021.

Senior Management Succession. The Board, through its PerCom, manages the talent pipeline and assembles the required personnel capable of navigating such changes. In consultation with the President and CEO, the PerCom reviews the Bank's talent development process for proper management. Senior Management provides a report to this Committee on the results of its talent and performance review process for key management positions and other high-potential individuals. Aside from ensuring that there is a sufficient pool of qualified internal candidates to fill senior leadership positions, this review process identifies opportunities, performance gaps, and proactive measures in the Bank's executive succession planning.

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

Retirement Policies

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

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

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

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

Retirement of Senior Management. The requisite succession planning for key officers as well as employees is done in accordance with the Bank's policies and implementing guidelines of its retirement plan for all employees, the Bank's Amended By-Laws, Labor Code, and the Corporation Code of the Philippines. Currently, the retirement age for employees of the Bank is set at 60 years of age.

The Retirement Policy and other board governance policies may be viewed on the company website at www.bpi.com.ph. See Appendix for full biographies of our Principal Officers.

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

Board of Directors
Bank of the Philippine Islands
Office of the Corporate Secretary
14/F Ayala North Exchange Tower 1,
Ayala Avenue cor. Salcedo St., Legaspi Village,
Makati City, Metro Manila 1229

Concerns may be submitted anonymously or confidentially and may also indicate whether this is from a shareholder, customer, supplier, or other interested party. Communications relating to the Bank's risk management will be endorsed to the Risk Management Committee. Accounting, internal controls, or auditing matters will be relayed to the Audit Committee. Other matters will also be handled by the appropriate Board committee. In the same manner, communications will be referred to other areas of the Bank for handling as appropriate under the facts and circumstances outlined in the communications.

CORPORATE GOVERNANCE

Board Committees. The Board has established Committees to heighten the efficiency of Board operations and assist in exercising its authority for oversight of internal control, risk management, and performance monitoring of the Bank.

The committees provide organized and focused means for the Directors to achieve specific goals and address issues, including those related to governance.

In particular, the committees enhance the objectivity and independence of the Board's judgment, insulating it from undue influence of management and major shareholders. In 2020, the Bank had eight Board-level committees. The chairmen and members of the different committees were elected by the Board during the Organizational Meeting on April 23, 2020, after the ASM. Any subsequent changes in membership of the respective committees are made upon approval by the Board (Recommendations 3.1-3.6 of the SEC CG Code for PLCs).

We strive to comply with the BSP regulations and the SEC Code of Corporate Governance for PLCs with respect to the chairmanships and memberships of the committees. All committee chairmanships and memberships are compliant with their respective committee charters and the Manual on Corporate Governance.

Committee chairs and vice chairs provide leadership to their respective committees and guide members in translating the Board's goals for the committee into meeting agendas and work plans for the year. They work with the Corporate Secretary, management and committee secretariats to prepare the agendas, discussion materials and reports, and schedules of meetings set at the beginning of the year, for guidance of the members. Committee meetings are recorded and minutes prepared by the Corporate Secretary. The work, accomplishments, and minutes of the meetings of the committees are regularly reported to the Board. Policies approved at committee level are confirmed by the Executive Committee or the Board.

As part of the annual Board effectiveness review, committees conducted self-assessment exercises for 2020 in early 2021. The review found all committees to have performed their respective duties and responsibilities effectively. There were no material issues with respect to committee memberships, governance, and operations.

Attendance of the members of our Board in their respective committee meeting in 2020 are shown on page 121.

Committee Charters. All the board-level committees have Committee Charters which state their respective purposes, memberships, structures, duties and responsibilities, operations, reporting processes, resources, and other relevant information which may serve as a basis for performance evaluation of each committee. In 2020, all committees conducted the annual review of their charters as well as the self-assessment exercise. (Recommendation 3.6 of the SEC CG Code for PLCs).

Committee Charters are fully disclosed in the Manual on Corporate Governance and on the company website at www.bpi.com.ph.

Executive Committee. The Board appoints from its members an Executive Committee composed of not less than five (5) members and one of whom shall be an Independent Director. There were no changes in the committee chairmanship, vice-chairmanship, and membership for 2020. Membership of the committee remained in compliance with its charter.

The Executive Committee, between meetings of the Board, possesses and exercises all powers of the Board in the management and direction of the affairs of the Bank subject to the provisions of the Bank's Amended By-Laws, and the limitations of the law and other applicable regulations.

The Executive Committee serves as the operating arm of the Board in all matters related to corporate governance. It approves all major policies and oversees all major risk-taking activities, including the approval of material credit exposures. A majority of all the members of the Executive Committee shall constitute a quorum.

BPI BOARD AND BOARD-LEVEL COMMITTEES[1]

	Board	Executive	Audit	Risk Management	Corporate Governance	Related Party Transactions	Personnel and Compensation	Nomination	Retirement/ Pension
Number/Composition of Committee Members	15	7	3	3	3	3	5	4	3
Frequency of Meetings*	Monthly	Weekly	Monthly	Monthly	Quarterly	Monthly	As needed	At least twice a year	At least twice a year
Name of Members									
Jaime Augusto Zobel de Ayala	X-C	X-C						X	
Fernando Zobel de Ayala	X-VC	X-VC					X-C	X	
Cezar P. Consing (President)	X	X							
Romeo L. Bernardo	X		X***						
Ignacio R. Bunye (ID)	X				X-C***	X-C	X		
Octavio Victor R. Espiritu (ID)	X		X	X-C					
Rebecca G. Fernando	X	X				X			X
Jose Teodoro K. Limcaoco	X	X							
Xavier P. Loinaz (ID)**	X		X-C**					X**	
Aurelio R. Montinola III	X	X		X			X		
Mercedita S. Nolledo	X				X				X-C
Antonio Jose U. Periquet (ID)	X	X					X	X-C	X
Cesar V. Purisima (ID)****	X								
Eli M. Remolona, Jr. (ID)	X			X					
Ramon R. Del Rosario, Jr.	X							X	
Maria Dolores B. Yuvienco (ID)	X		X-C***		X***	X	X		

*Based on committee charter or current practice
**Resigned effective 21 October 2020
***Effective 21 October 2020
****Elected as BPI Director on 20 January 2021
1 x-C stands for Member and Chairman, x-VC stands for Member and Vice-Chairman, and x stands for Member

CORPORATE GOVERNANCE

In 2020, the Executive Committee approved major credit risks and major policies and corporate actions, i.e., approved contracts, sale of real properties, HR Matters (such as compensation, hiring, promotions, terminations), transfers and relocation of branches, approval of Bank policies, including all matters related to corporate governance, i.e., anti-bribery and anti-corruption policy and board governance policies.

Audit Committee. The Board appoints from its members an Audit Committee composed of at least three (3) NEDs, majority of whom are Independent Directors including the Chairman. Members of the committee must have accounting, auditing or related financial management expertise, or experience commensurate with the size, complexity of operations, and risk profile of the Bank. The Chairperson of the Audit Committee shall not be the Chairperson of the Board or of any other board-level committees. (Recommendation 3.2 of the SEC CG Code for PLCs).

With the resignation of Audit Committee Chairman Independent Director Xavier P. Loinaz in the last quarter of 2020, the Board approved the appointment of committee member Independent Director Dolores B. Yuvienco as the new chairperson and Non-Executive Director Romeo L. Bernardo as a new member of the Audit Committee for the remainder of the 2020 to 2021 board term. In this regard, Independent Director Dolores B. Yuvienco also relinquished her chairmanship of the Corporate Governance Committee. As a result of the foregoing changes, membership of the Audit Committee remained in compliance with its charter.

For 2020, the Audit Committee monitored and evaluated the adequacy and effectiveness of the Bank's internal control systems, risk management, compliance, and governance practices. It provided oversight on the integrity of the Bank's financial statements and financial reporting process, performance of the internal and external audit functions and compliance with bank policies, applicable laws, and regulatory requirements. The Committee also approved the external auditor's annual audit plan and scope of work, and assessed its overall performance and effectiveness. In consultation with management, this Committee also approved the external auditor's terms of engagement and audit fees.

For more details, please read the Audit Committee Report for the year ended December 31, 2020. The report is also posted on the company website at www.bpi.com.ph.

Corporate Governance Committee. The Board appoints from its members a Corporate Governance Committee composed of at least three (3) members of the Board, who shall all be NEDs, majority of whom are Independent Directors including the Chairman. (Recommendation 3.3 of the SEC CG Code for PLCs). As aforementioned, with the resignation of Audit Committee Chairman Independent Director Xavier P. Loinaz in the last quarter of 2020, the Board appointed Independent Director Dolores B. Yuvienco as the new chairperson for the Audit Committee for the remainder of the 2020 to 2021 board term. The Board also appointed Independent Director Ignacio R. Bunye as the new Corporate Governance Committee chairman. Committee membership remained in compliance with its charter.

The Corporate Governance Committee charter was amended in November 2020 to include a provision on group oversight in the duties and responsibilities in alignment with BSP Circular 969.

In 2020, the Corporate Governance Committee carried out its regular mandate as set in its charter, to offer recommendations for the Bank's corporate governance framework and to address, in particular, BPI's conformance to BSP Circular 969, BSP Circular 900, SEC Memorandum Circular 19, Series of 2016, as well as best practices espoused by the ASEAN Corporate Governance Scorecard (ACGS). This included the amendment of the Bank's By-Laws, policy development, oversight of the corporate governance framework and practices as well as compliance testing of Bank subsidiaries. The Committee also provided guidance with respect to regulatory matters concerning the BSP and SEC.

Nominations Committee. The Board appoints from its members a Nominations Committee composed of at least three (3) directors, majority of whom are Independent or NEDs with a Chairman who is either an Independent or NED. In 2020, Independent Director Antonio Jose U. Periquet was appointed as a new member and Chairman of the committee, taking the place of outgoing chair and member NED Romeo L. Bernardo. NED Ramon R. Del Rosario, Jr., newly-elected to the Board, was likewise appointed as a member of the committee. Finally, with his resignation from the Board in the fourth quarter 2020, Independent Director Xavier P. Loinaz likewise relinquished membership in the committee. In this respect, the Board did not appoint a new member to the committee for the remainder of the 2020 to 2021 term. Membership of the committee remained in compliance with its charter.

During the year, the Nominations Committee convened to ensure that candidates for nomination to be elected at the 2020 ASM were made up of individuals of proven integrity and competence, and that each possesses the ability and resolve to effectively oversee the Bank in his capacity as Director and member of board-level committees. The Corporate Governance Committee also guided election activities, appointments and re-composition of committee memberships as part of the succession planning process and to align with best practices.

Risk Management Committee. The Board appoints from its members a Risk Management Committee (RMC) composed of at least three (3) members of the Board, majority of whom shall be Independent Directors, including the Chairperson. Committee members should possess a range of knowledge and expertise on risk management issues and best practices. The Chairperson shall not be the Chairperson of the Board or of any other board-level committee (Recommendation 3.4, SEC CG Code for PLCs).

The RMC Charter is fully compliant with BSP Circulars 969 (Corporate Governance) and 971 (Risk Governance). At the Organizational Board Meeting on April 23, 2020 after the ASM, the existing committee membership was retained. Membership of the Committee conformed with the RMC Charter for the year 2020.

The RMC is tasked with nurturing a culture of risk management across the enterprise. Amidst the COVID-19 pandemic occurring for the most part of 2020, it supported the Board by overseeing and managing the Bank's exposures to financial and non-financial risks, assessed new and emerging risk issues across the Bank, and regularly reviewed the Bank's risk appetite and limits, policies, methodologies, structures, and metrics. These were all done in support of the Bank's business strategies, and in compliance with regulatory and international standards on risk management. A more detailed report on the activities can be found in the Risk Management section of the annual report (Recommendation 3.4 of the SEC CG Code for PLCs).

Personnel and Compensation Committee. The Board appoints from its members a PerCom composed of four (4) members of the Board who are not officers of the Bank plus one (1) member who is an Independent Director. In the April 2020 ASM, Mr. Gerardo C. Ablaza, Jr., a member of the PerCom, was not nominated as a member of the board for the new term. Also, beginning the 2020 to 2021 term, Mr. Romeo L. Bernardo, a member as well of the PerCom, was not re-appointed. In their place, at the Organizational Meeting after the ASM, Independent Directors Dolores B. Yuvienco and Ignacio R. Bunye were appointed as new members of the committee. Membership of the Committee remained in compliance with the PerCom charter.

In 2020, the PerCom directed and ensured the implementation of various programs of the Human Resources Management Group such as: Leadership and Talent Development, Compensation and Total Rewards Review, the 2020 Performance Level Ranking Program for officers, Collective Bargaining Agreements (CBA) settlements, as well as promotions and organizational changes during the year. More importantly, the PerCom provided much needed guidance and oversight for the Bank's pandemic response plan with respect to employees' work arrangements under the various modes of quarantine, special assistance provided to employees, COVID-19 employee care and benefits case management, and compliance with IATF, DTI, DOLE interim guidelines on workplace prevention and control of COVID-19, among others.

CORPORATE GOVERNANCE

Related Party Transaction Committee. The Board appoints from its members a Related Party Transaction Committee (RPTC) composed of at least three (3) Non-Executive Directors, majority of whom are Independent Directors including the Chairperson (Recommendation 3.5 of the SEC CG Code for PLCs). At the Organizational Board Meeting on April 23, 2020 after the ASM, the existing committee membership, which included two (2) Independent Directors, was retained. Membership of the Committee remained in compliance with the RPTC Charter.

For 2020, the RPTC vetted and/or endorsed Credit and Non-Credit transactions of the BPI Group involving accounts that reached established thresholds. The Committee formulated and approved the standards on RPTs exempted from vetting and other forms of vetting process. It also noted the quarterly-/post-reviews of RPTs by the Internal Audit (for significant RPTs) and Compliance Office (for below significant transactions), as presented by the Chief Audit Executive and Chief Compliance Officer, respectively, both of whom are non-voting members of the RPTC. The Committee also noted the monthly reports on credit and non-credit RPTs that were below the materiality threshold on accounts vetted by the Management Vetting Committee (MVC). Significant details of RPTs are disclosed in the audited financial statements. The RPTC is supported in its vetting activities by the RPTC Secretariat, which is under the Risk Management Office.

Retirement and Pension Committee. The Board appoints from its members a Retirement and Pension Committee composed of at least three (3) directors, majority of whom are Independent Directors or NEDs with a Chairman who is either an Independent Director or NED. The Human Resources Head shall also be a non-voting member of the Committee. There were no changes in the committee chairmanship and membership for 2020. Membership of the Committee remained in compliance with its Charter.

For 2020, the Retirement and Pension Committee convened to oversee and discuss matters relative to its fiduciary, administrative, investment portfolio responsibilities under its charter, as well as manage the non-investment aspects of the Bank's retirement plan.

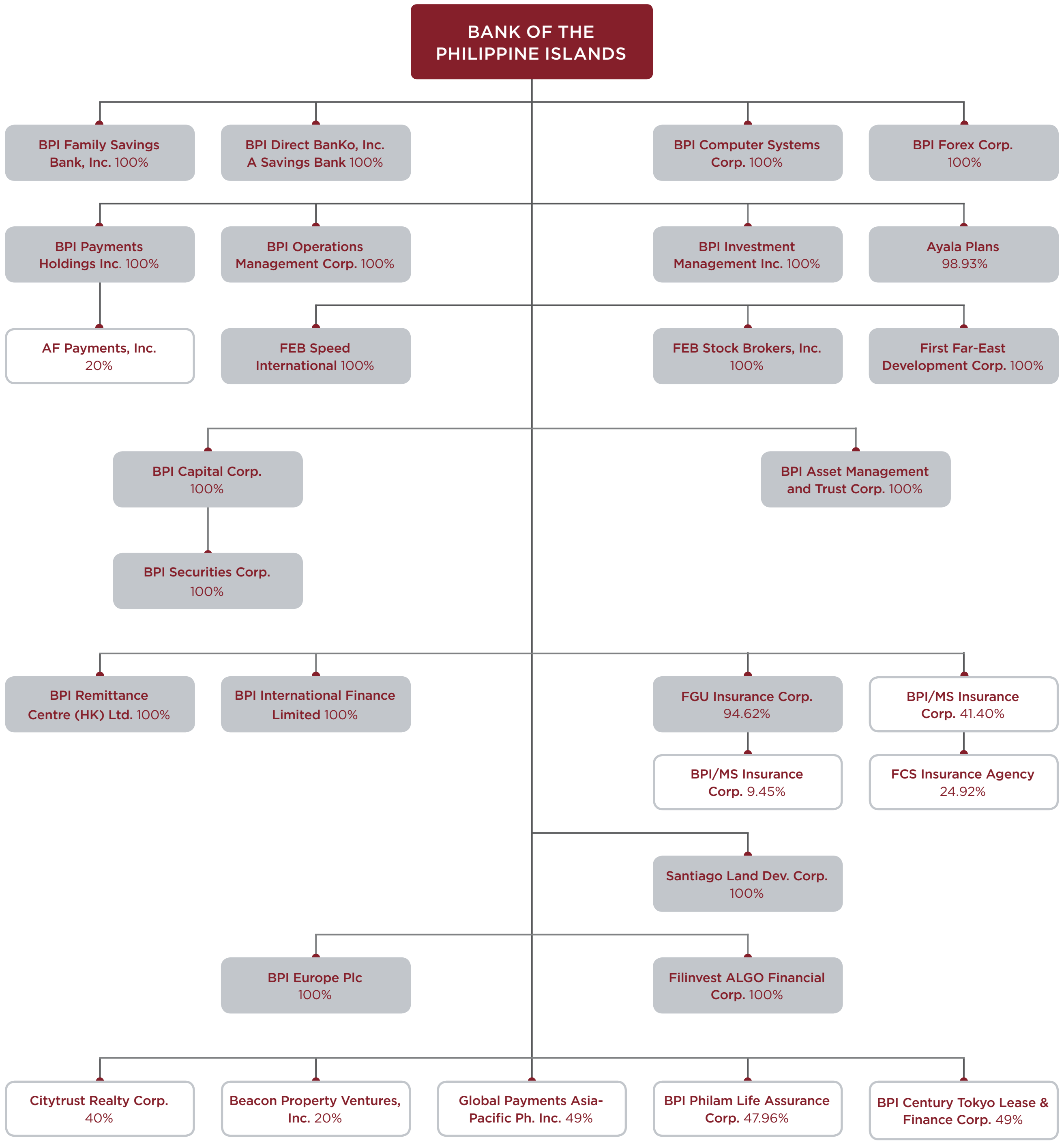
COMMITTEE APPOINTMENTS AND ATTENDANCE

Committee	Office	Name	Date of Appointment	Attendance/ Meetings[1]	%
Executive Committee	Chairman (NED)	Jaime Augusto Zobel de Ayala	April 06, 2006	37/37[8]	100%
	Vice-Chairman (NED)	Fernando Zobel de Ayala	April 06, 2006	35/37[8]	95%
	Member (ED)	Cezar P. Consing	April 18, 2013	36/37[8]	97%
	Member (NED)	Rebecca G. Fernando	March 31, 2009	36/37[8]	97%
	Member (NED)	Jose Teodoro K. Limcaoco	April 25, 2019	37/37[8]	100%
	Member (NED)	Aurelio R. Montinola III	March 25, 2004	36/37[8]	97%
	Member (ID)	Antonio Jose U. Periquet	April 18, 2013	37/37[8]	100%
Audit Committee	Chairman (ID)	Maria Dolores B. Yuvienco[5]	October 21, 2020	16/16[11]	100%
	Chairman (ID)	Xavier P. Loinaz[7]	April 15, 2010	12/12	100%
	Member (ID)	Octavio Victor R. Espiritu	April 15, 2010	16/16[11]	100%
	Member (NED)	Romeo L. Bernardo[4]	October 21, 2020	4/4[11]	100%
Corporate Governance Committee	Chairman (ID)	Ignacio R. Bunye[6]	October 21, 2020	4/4	100%
	Member (ID)	Maria Dolores B. Yuvienco	April 14, 2016	4/4	100%
	Member (NED)	Mercedita S. Nolledo	April 06, 2006	4/4	100%
Nomination Committee	Chairman (ID)	Antonio Jose U. Periquet[2]	April 23, 2020	1/1[9]	100%
	Member (NED)	Jaime Augusto Zobel de Ayala	April 14, 2011	3/3[9]	100%
	Member (NED)	Fernando Zobel de Ayala	April 10, 2014	3/3[9]	100%
	Member (ID)	Xavier P. Loinaz[7]	April 03, 2003	2/2	100%
	Member (NED)	Aurelio R. Montinola III[3]	April 20, 2017	3/3[9]	100%
	Member (NED)	Romeo L. Bernardo[3]	April 14, 2011	2/2	100%
	Member (NED)	Ramon R. Del Rosario, Jr.[2]	April 23, 2020	1/1[9]	100%
Risk Management Committee	Chairman (ID)	Octavio Victor R. Espiritu	May 15, 2000	13/13[11]	100%
	Member (NED)	Aurelio R. Montinola III	April 07, 2005	12/13[11]	92%
	Member (ID)	Eli M. Remolona, Jr.	April 25, 2019	13/13[11]	100%
Personnel and Compensation Committee	Chairman (NED)	Fernando Zobel de Ayala	April 03, 2008	12/12[10]	100%
	Member (NED)	Gerardo C. Ablaza, Jr.[3]	April 20, 2017	3/3[8]	100%
	Member (NED)	Romeo L. Bernardo[3]	April 03, 2008	2/3[8]	67%
	Member (NED)	Aurelio R. Montinola III	April 18, 2013	11/12[10]	92%
	Member (ID)	Antonio Jose U. Periquet[2]	April 25, 2019	12/12[10]	100%
	Member (ID)	Ignacio R. Bunye[2]	April 23, 2020	9/9[10]	100%
	Member (ID)	Maria Dolores B. Yuvienco[2]	April 23, 2020	9/9[10]	100%
Related Party Transactions Committee	Chairman (ID)	Ignacio R. Bunye	April 20, 2017	12/12	100%
	Member (NED)	Rebecca G. Fernando	April 10, 2014	11/12	92%
	Member (ID)	Maria Dolores B. Yuvienco	April 25, 2019	12/12	100%
Retirement Pension Committee	Chairman (NED)	Mercedita S. Nolledo	April 06, 2006	4/4	100%
	Member (NED)	Rebecca G. Fernando	March 31, 2009	4/4	100%
	Member (ID)	Antonio Jose U. Periquet	April 25, 2019	4/4	100%

[1]For the period of 01 January to 31 December 2020
[2]Committee member effective 23 April 2020
[3]Committee member until 23 April 2020
[4]Committee member effective 21 October 2020
[5]Committee member since 10 April 2014
[6]Committee member since 14 April 2016
[7]Resigned effective 21 October 2020
[8]Includes Joint PerCom & ExCom Meeting
[9]Includes Joint PerCom & NomCom Meeting
[10]Includes Joint PerCom and ExCom and Joint PerCom and NomCom Meetings
[11]Includes Joint BPI & BFB AuditCom & RMCom Meeting

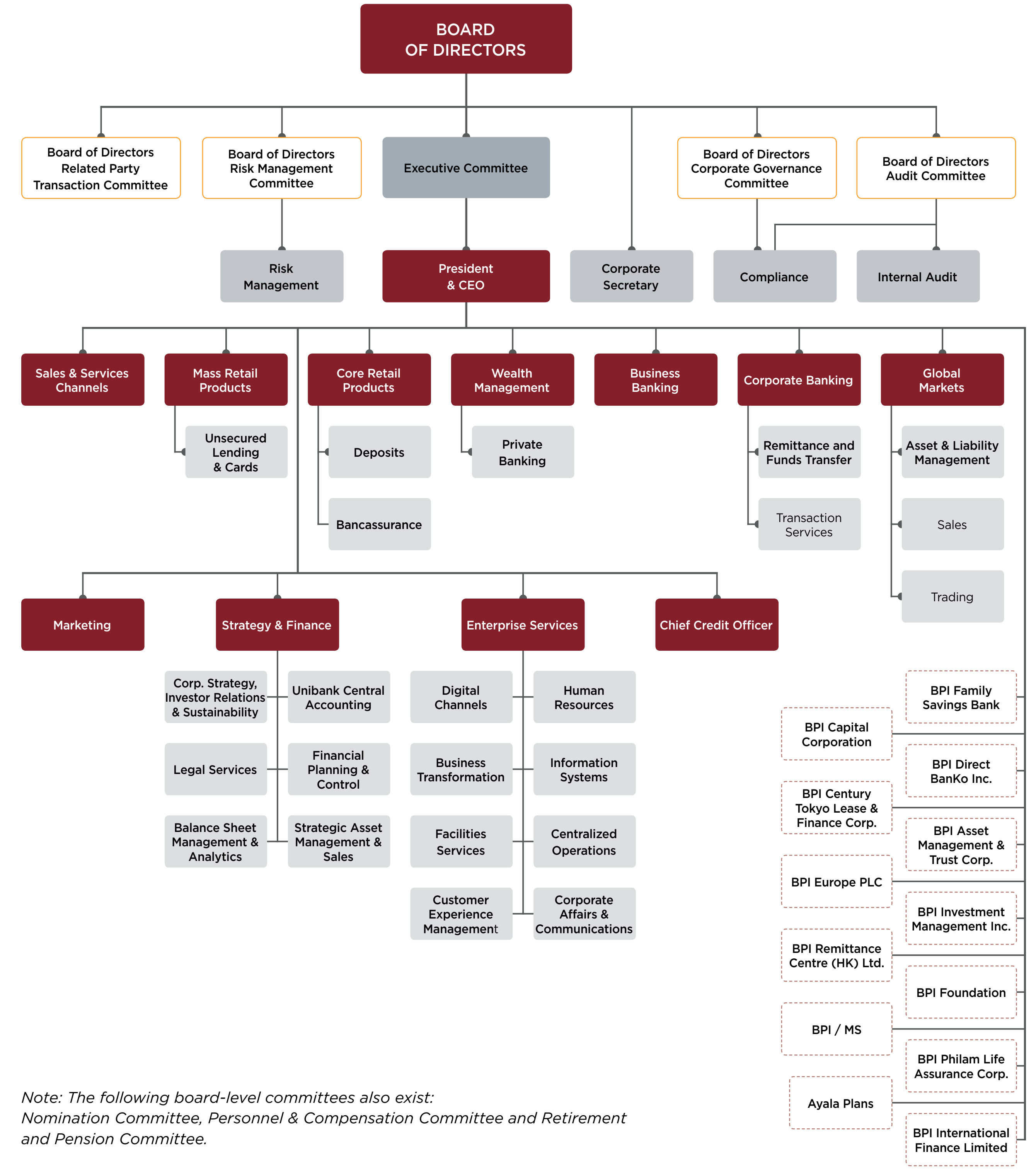
BPI CONGLOMERATE MAP

As of December 31, 2020



BPI TABLE OF ORGANIZATION

The following is an overview of the Bank's principal activities and its functional organization (as of December 31, 2020):



Note: The following board-level committees also exist: Nomination Committee, Personnel & Compensation Committee and Retirement and Pension Committee.

OPERATING MANAGEMENT

Organization. BPI's President and CEO is responsible for formulating the business strategy and the overall management of the Bank in fulfilling objectives to achieve the desired outcomes of its strategy. The Bank's senior executive officers are each responsible for an area of the Bank's business and report directly to the President and CEO.

In 2020, the senior executive officers of the Bank included:, Dino R. Gasmen, Treasurer, Senior Vice President and Head, Global Markets; Ramon L. Jocson, Executive Vice President, Chief Operating Officer and Head, Enterprise Services Segment; Juan Carlos L. Syquia, Executive Vice President and Head, Corporate Client Segment; Marie Josephine M. Ocampo, Executive Vice President and Head of the Mass Retail Segment; and Maria Theresa Marcial Javier, Executive Vice President, Chief Finance Officer, and Head, Strategy and Finance.

The senior executive officers are responsible for ensuring development and expansion of the Bank's client relationships; service quality and innovation in its products and services; enterprise asset-liability management and flows business; reliability, productivity, and efficiency of our operating infrastructure; financial strategy formulation and execution; and sustainable investor and stakeholder relations.

In addition, the Bank has a Management Committee, which regularly convenes to discuss matters of bank-wide relevance. The Management Committee members are appointed by the President and CEO, and its membership is periodically rotated, to reflect current initiatives of the Bank and to grant senior decision-making exposure to executives below the rank of executive vice president.

Planning and Performance Management. BPI articulates its strategy in periodic planning exercises, realizes plans in formal budgets, and conducts periodic performance reviews against budget and past performance. We act in accordance with well-defined operating policies and procedures, and ensure the accuracy and transparency of operational and financial reporting to protect our reputation for integrity and fair dealing. We also strive to achieve accountability in revenue performance, efficiency in expenditure of resources, and high quality in the delivery of services and achievement of customer satisfaction. Management is regularly reviewed and rewarded according to their performance relative to innovation, initiatives, assigned targets, and feedback from customers, peers, and the Board.

We place strong emphasis on prudent risk-taking and risk management. Specific management committees ensure that major risks are identified, measured, and controlled against established limits. These key management committees are the Credit Committees, Assets and Liabilities Committee, Operational Risk Management Committee, Crisis Resiliency Committee, Information Technology Steering Committee, Finance Committee, Anti-Money Laundering Evaluation Committee, Fraud and Irregularities Committee, Real and Other Properties Acquired (ROPA) Sales Committee, and Management Vetting Committee. Members of these committees are senior officers (in the case of the Information Technology Steering Committee, includes a non-executive Director) who are subject matter experts in areas of knowledge relevant to the respective committees. They include client specialists, product specialists, senior officers of the Risk Management Office, and other senior executives.

Control, Risk Management, and Compliance. The Bank's control, risk management and compliance agenda is a key priority, and in recent years, BPI has devoted significant resources to adhering and adapting to the increasing number of heightened regulatory expectations and reporting requirements that guide the banking industry as well as publicly-listed companies.

In this respect, BPI continuously enhances governance and oversight of the control, risk management and compliance environment across the group and strives to simplify and appropriately de-risk operations. The Bank also continues to make substantial investments in financial, technology and human capital dedicated to these efforts.

BPI regularly partners and engages in constructive dialogue with our regulators, shares efforts and seeks proper clearance in the design of appropriate adjustments and remediation plans for the Bank's control, risk management and compliance environment.

The Bank takes extra effort to understand all legal and regulatory requirements and continuously builds and strengthens the culture and infrastructure to support risk management, compliance and assurance activities.

In 2020, the Board, through its various board-level committees, reviewed the Bank's overall control, risk management and compliance systems covering operational and financial areas and determined these to be adequate and operating effectively. (Recommendation 12.1 SEC CG Code for PLCs).

INTERNAL AUDIT AND CONTROL

Our Internal Audit Division is an independent body that supports the Audit Committee in fulfilling its oversight responsibilities by providing an objective assessment on the adequacy and effectiveness of the Bank's risk management, internal controls, and governance processes through well-established risk-based audit plans. Internal Audit also ensures that the Bank's operating and business units adhere to internal processes and procedures and to regulatory and legal requirements.

The assessment of controls, systems, and processes of the Bank is covered by the annual audit work plan, which is developed using the Audit Risk Assessment or scoring model, and reviewed and approved by the Board through the Audit Committee. The Committee of Sponsoring Organizations of the Treadway Commission (COSO)[1] internal control framework includes Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities, and the Control Objectives for Information and Related Technology (COBIT). These frameworks are used in assessing the effectiveness of the internal control system.

This unit reports directly to the Board through its Audit Committee. It collaborates with other assurance providers such as the Risk Management Office, Compliance Office, external auditors, and other oversight units. Through this system for the comprehensive monitoring and review of risks and compliance in the institution, the Board ensures that the Bank and all business units proactively manage the risk and compliance exposures impacting the business. (Recommendation 2.10 and 12.2 of the SEC CG Code for PLCs).

The Audit Committee also ensures that the Internal Audit Division undergoes an external quality assessment review (EQAR) to confirm that audit activities conform to the International Standards for the Professional Practice of Internal Auditing and Code of Ethics. The program includes periodic internal and external quality assessments and ongoing monitoring of the performance of the internal audit activity. Periodic internal assessments are conducted annually, while external quality assessments are conducted at least once every five years by a qualified independent validator. This unit maintains its "generally conforms" ratings on both internal and external assessments, which indicate that its activities have continuously conformed to professional standards, code of ethics, and other internal standards.

Internal Audit Charter. The internal audit function as empowered by the Internal Audit Charter includes free access to all records, properties, and personnel. In this respect, the Audit Committee reviews the internal audit function, including its independence and the authority of its reporting relationships. The Internal Audit Division continuously improves the capabilities of its auditors through continuous education on specialized areas of knowledge, auditing techniques, regulations, and banking products and services. As stated in the Manual on Corporate Governance, the Board, through the Audit Committee, periodically reviews and approves the Internal Audit Charter. (Recommendation 2.10, SEC CG Code for PLCs).

The Internal Audit Charter is published on the company website and may be read at www.bpi.com.ph.

Chief Audit Executive. The Internal Audit Division is headed by a Chief Audit Executive (CAE) who is appointed by the Board and reports functionally to the Board through the Audit Committee and administratively to the President and CEO. This ensures that the CAE is not dependent on any bank executive or operating officer for the security of his or her position. The CAE has unrestricted access to all functions, records, property, and personnel. Additionally, the Audit Committee ensures that the CAE has access to the Board, on a confidential basis, and that the Internal Audit Division is independent of bank management, both by intent and actual practice. The Board, through the Audit Committee, evaluates the performance of the CAE. (Recommendation 2.8, 9.1, 9.2, 12.3 SEC CG Code for PLCs).

See page 201 for the full biography of the CAE.

[1]Joint initiative in the United States by five private sector organizations [the Institute of Management Accountants (IMA), the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), the Institute of Internal Auditors (IIA), and Financial Executives International (FEI)], dedicated to guide executive management and governance entities on relevant aspects of organizational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting.

INTERNAL AUDIT AND CONTROL

Independent External Auditor. The Audit Committee recommends to the Board the appointment of a BSP-accredited external auditor for the purpose of preparing or issuing an audit report or other related work. The appointment, re-appointment, and removal of the Bank's external auditor is subject to the approval and endorsement of the Audit Committee, for subsequent confirmation and approval by the Board and, finally, the stockholders. (Recommendation 2.8, 9.1, 9.2, SEC CG Code for PLCs). The engagement of the external auditor is also done pursuant to the General Requirements of Securities Regulation Code (SRC) Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors).

The Audit Committee also assesses the external auditor's effectiveness, independence, and objectivity, ensuring that key partners or the handling partner is rotated at appropriate intervals or changed every five years or earlier. The Committee also reviews the external auditor's annual plan, scope of work, and, in consultation with management, approves the external auditor's term of engagement and audit fees. They also oversee the resolution of disagreements between management and the external auditors in the event that these arise.

The Audit Committee ensures suitability and effectiveness of the external auditor through the following:

- No external auditor can be engaged by the Bank if he/she has any direct or material indirect financial interest in the Bank, or if his/her independence is considered impaired under circumstances specified in the Code of Professional Ethics for Certified Public Accountants. In the case of partnership, this limitation shall apply to the partners, associates, and the auditor-in-charge of the engagement.
- The external auditor and the members of the audit team shall not have outstanding loans or any credit accommodation (except credit card obligations) with the Bank throughout the engagement.
- The external auditor and the members of the audit team adhere to the highest standards of professional conduct, integrity, and objectivity.

The external auditor reviews and discusses the financial statements and reports, including results of operations, with Management and the CAE, and endorses the same to the Board for approval. Audited Financial Statements are signed by the Chairman of the Board, the President and CEO, and the CFO. The Audit Committee also holds executive or private meetings with the external auditors without the presence of Management.

Audit and Audit-Related Fees. BPI has paid the following fees, inclusive of taxes, to its external auditors in the past two years:

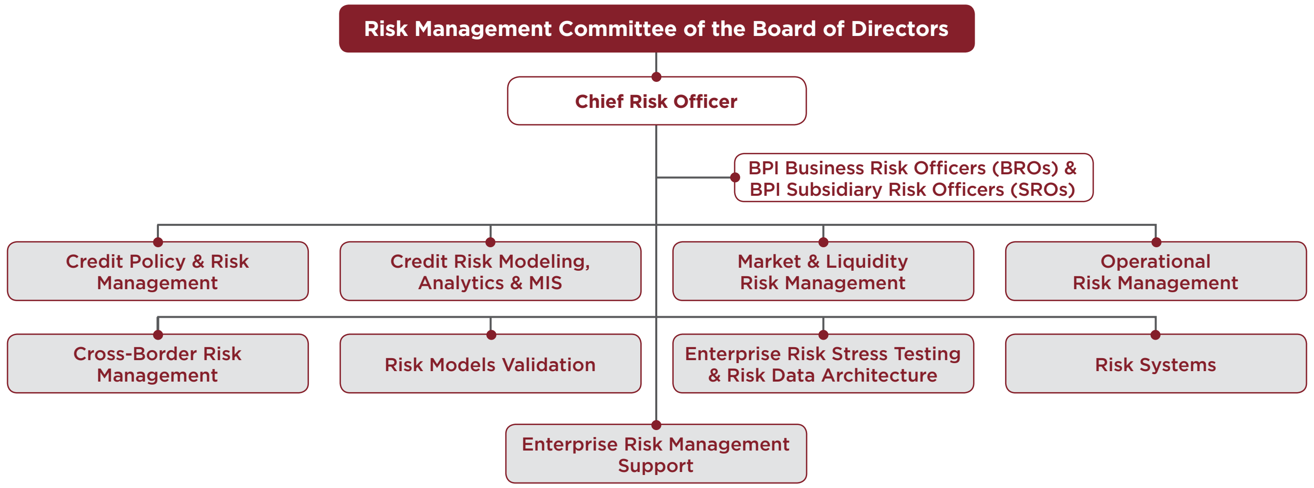
(In Million Pesos)	Approved Audit Fees	Audit-related Fees
2019	Php 18.210	Php 8.000
2020	Php 18.340	None

The audit and audit-related fees cover services including other related reviews and out-of-pocket expenses by the external auditor that are reasonably related to the performance of the audit or review of the Bank's and its subsidiaries' annual or interim financial statements. There were no non-audit fees (services not related to the review of the financial statements). (Recommendation of the SEC CG Code for PLCs).

The Audit Committee charter, as stated in the Bank's Manual on Corporate Governance, provides that the Audit Committee is empowered by the Board to approve all audit and non-audit services, including fees, to be provided by the external auditor to the Bank and its subsidiaries. It is also tasked to review the external audit fees and recommend the same for approval by the Board.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. There were no disagreements with Isla Lipana & Co. on accounting and financial disclosures.

RISK MANAGEMENT



Comprehensive Framework. BPI pursues best practices in Enterprise Risk Management (ERM) across its businesses and processes. It has an established ERM and capital management framework that enables the Bank to identify, measure, control, and monitor its significant financial and non-financial risk exposures, ensure adequate liquidity, and set aside sufficient amounts of capital to cover and mitigate such risks. The framework reflects the Bank's internal standards as guided by the regulatory directives issued by the BSP in promoting effective risk management governance, implementing robust business continuity and operational resiliency standards that are regularly tested, and performing the internal capital adequacy assessment and other risk management processes (Recommendation 2.11, 12.4 SEC CG Code for PLCs).

Risk management in BPI follows a top-down approach, with risk appetite setting and overall risk strategy emanating from the Board. The Board fulfills its risk management function through the Risk Management Committee (RMC). The RMC defines risk appetite statements at functional risk areas and on an enterprise level, reviews risk management structures, metrics, limits, and issues across the BPI Group of Companies (BPI Group), and directs the Bank's risk strategy framework anchored on sound risk management governance, value-enhancing risk methods and processes, and risk-intelligent data and technology. It oversees and manages risks and monitors regulatory and internal capital adequacy vis-à-vis risk exposures. It promotes a strong risk culture and exercises oversight through the Subsidiary Board-level RMCs across the BPI Group. It manages risks through clearly-delineated functions to ensure effective risk management governance and control processes across the Bank using the "three lines of defense" model. This model defines the risk management responsibilities of each unit owning and managing the risk (1st line), overseeing the risk management function (2nd line), or providing independent assurance on the quality and effectiveness of risk management and internal controls (3rd line).

BPI's risk culture is anchored on its vision of transparency and integrity in the workplace, creation of sustainable value, and delivery of maximum returns to stakeholders. In order to achieve its responsibilities to clients, employees, stakeholders, regulators, and country, it exercises proactive and prudent risk management.

Chief Risk Officer (CRO). The BPI Group CRO leads the formulation of risk management policies and methodologies in line with overall business strategy. The CRO, who is primarily responsible for the overall management of the BPI Group's total risk, ensures that risks are prudently and rationally taken, commensurate with returns on capital, and within the Bank's risk appetite. The Bank's risk appetite is a careful measure of the amount of risk it is willing to assume in order to achieve business objectives. Risk appetite statements are regularly reviewed and approved by the Board through the RMC (See page 202 for the full biography of the BPI CRO).

RISK MANAGEMENT

The CRO is supported by the Risk Management Office (RMO), a team of skilled risk managers dedicated to identifying, measuring, controlling, and monitoring the BPI Group's risk exposures. The Bank's risk managers keep abreast of industry developments, emerging risks, and risk management best practices through continuous and adequate training. The CRO and the RMO actively engage the RMC, Management, and business units to effectively communicate through various internal channels the Bank's risk culture, risk awareness campaigns and learning programs, and risk management best practices (Recommendation 12.5 of the SEC CG Code for PLCs).

BPI identifies risks according to three major classifications:

- Credit Risk (including concentration and cross-border risks)
- Market (including foreign exchange, interest rate, and equity price risks) and Liquidity Risks
- Operational and Information Technology (IT) Risks

Credit risk refers to the risk of default on obligations that may arise if a borrower fails to make required payments such as principal and/or interest on an agreed date; market risk due to price movements/fluctuations in trading and distribution activities of credit securities, foreign exchange, and derivative instruments (as allowed by regulation); liquidity risk from the management of the Bank's cash flows and balance sheet; and operational and IT risks from inadequate or failed internal processes, people, information technology and systems, and threats from external events that pose risks of financial losses and damage to the Bank's reputation. The Bank is likewise cognizant of other emerging risks (e.g., environmental, social, and geopolitical risks) that it may be exposed to in its day-to-day business operations and these are identified, measured, controlled, and monitored accordingly.

The Bank has established risk management processes and controls and uses various methodologies, metrics, tools, and systems to identify, measure, control, and monitor its risk exposures. It continuously invests in risk technologies and business-enabling systems, and enhances its processes to ensure completeness and accuracy of data, 360° risk perspective, and timely reporting. With the implementation of the Risk Data Architecture system leveraging on the Bank's Enterprise Big Data platform, the availability of automated risk data not only supports the Bank's risk management activities, but also enables risk data servicing of the various business units.

In compliance with BSP Circular 989 (Conduct of Stress Testing Exercises), the RMO together with the Strategy & Finance Group have employed a formal integrated risk and capital stress testing framework, with forward-looking assessment of risks under given stressed scenarios identified or developed by the Bank's experts, to facilitate the development of contingency and recovery plans.

Independent reviews are regularly conducted by the Bank's Internal Audit, external auditors, and regulatory examiners to ensure that controls and risk mitigation are in place and functioning as intended. The Bank also engages various risk management experts to independently assess the Bank's risk maturity covering areas such as business continuity, cyber and information security, and ERM.

All these efforts have been undertaken and conscientiously practiced in recognition of BSP Circular 971 (Risk Governance), as well as benchmarked to the Committee of Sponsoring Organization's (COSO) ERM integrated framework. These have likewise proven indispensable with the Bank heavily relying on its established risk management system to ensure continued delivery of value to its stakeholders during unprecedented times brought about by the COVID-19 pandemic.

Credit Risk. BPI's Credit Policy and Risk Management Division (CPRM) is responsible for the overall management of the Bank's credit risk. CPRM is accountable to the RMC in assisting to establish BPI's risk appetite and in the RMC's oversight function on credit risk and asset quality. In addition, CPRM supports Senior Management in ensuring the quality of the Bank's loan portfolio by adopting proper risk control strategies and adequate monitoring and reporting. CPRM ensures that the Bank's stringent underwriting standards and rating parameters are complied with by the various lending units. The Bank also has a cross-border risk management team tasked to independently monitor and evaluate country and cross-border credit risks facing the BPI Group.

In 2020, BPI experienced a decrease in loan volumes and increase in credit risk due to the COVID-19 pandemic, but was able to manage overall credit risk and maintain asset quality, in general compliance with regulatory and prudential requirements relating to credit risk management (e.g., DOSRI and RPT compliance, single borrower's limits, credit concentration, and stress testing, amongst others). BPI continues to maintain a diversified loan portfolio with no significant concentrations. Top borrower-group exposures remain within the internal single borrower's limit and operate in diversified industries.

BPI regularly reviews the appropriateness of credit risk rating of non-default accounts and classification and impairment rates of defaulted or impaired loan accounts. Corporate credit risk exposures are assessed individually using internal credit risk rating models that generate a probability of default per rating grade and take into account credit risk mitigation. Credit risk rating models are developed internally by the Bank's Credit Risk Modeling, Analytics and MIS Division using statistical methods on quantitative and qualitative risk factors, including credit judgment overlays to account for borrower-specific and such other factors that cannot be modeled statistically. The credit risk ratings of corporate accounts are generally updated on an annual basis. Each rating grade has a corresponding probability of default that exponentially increases as a rated account moves across the rating scale. The migration of accounts between rating grades is regularly monitored and analyzed. Loss provisioning also takes into account the rating grade of each exposure. Provisioning for non-default exposures is based on expected credit loss (ECL), while specific reserves are set up for defaulted exposures and reviewed regularly. For consumer loans, the Bank adopted credit risk scorecards to assess borrowers' creditworthiness. Both financial and non-financial variables were considered in the scorecard development process, and all scorecards were subjected to expert judgment meetings with key business lending units. The models undergo independent validation, and are monitored regularly for their predictive power and performance.

The Bank fully implemented Philippine Financial Reporting Standards 9 (PFRS 9)-based policies, models, and ECL methodologies for all of its credit portfolios, rendering it compliant to both the BSP and accounting standards on PFRS 9 implementation. Loss provisioning for corporate and consumer exposures are based on ECL, which is a function of the probability of default, loss given default, and exposure at default.

BPI also regularly conducts credit reviews to assess that the credit process—loan origination, credit analysis, approval, implementation, and administration—conforms to the standards set in the Bank's internal policies and complies with regulatory requirements. In 2020, various credit products were reviewed and were found to exhibit generally acceptable credit performance and portfolio qualities.

BPI measures its credit risk exposures in terms of regulatory capital requirements using the standardized approach in compliance with Basel III and BSP standards on minimum capital requirements. Using this approach, its credit exposures to sovereigns, corporates, and banks are risk-weighted to reflect the credit assessment from eligible ratings agencies (Fitch, Moody's, Standard & Poor's, and PhilRatings, where applicable). This approach also allows for the use of eligible collaterals (cash, financial instruments, and guarantees) to mitigate credit risk.

BPI continuously enhances its credit policies, processes, guidelines, and lending programs to conform with sound credit risk management.

BPI regularly conducts stress tests on its loan portfolio to determine the impact of changes in various macroeconomic scenarios, surface any undue credit concentration risk, and comply with regulatory reporting. Assessment of stress testing impact to the Bank's financials is also performed simultaneously. In the most recent exercise, results showed that the Bank's capital adequacy ratio (CAR) and common equity tier 1 ratio (CET1) generally remain above or at about the regulatory capital requirements, even with assumed write-down scenarios on the Bank's large exposures, COVID-19-affected industries and consumer portfolios.

All these efforts have been undertaken in recognition of BSP Circular 855 (Sound Credit Risk Management Practices).

Market, Interest Rate in the Banking Book (IRRBB), and Liquidity Risks. BPI's RMO exercises its market, IRRBB, and liquidity risk management duties and responsibilities through its Market and Liquidity Risk Management Division (MRM). The division employs various risk metrics commensurate to the size and sophistication of its business operations which guide the Bank to effectively manage the risks arising from position-taking strategies balanced by the Board's overall risk

RISK MANAGEMENT

appetite. Risk limits are continuously reviewed and updated to align with the Bank's objectives, strategies, and overall risk appetite. MRM also provides forward-looking scenario analysis, simulations, and stress tests to complement the risk metrics and provide a broader and holistic risk perspective to the RMC and Management. For 2020, amidst the COVID-19 pandemic, BPI's market risk, IRRBB, and liquidity risk exposures were generally within the RMC-approved limits.

BPI closely monitors the risk exposures of both trading and non-trading portfolios. Assets in both on- and off-balance sheet trading portfolios are marked-to-market and the resulting gains and losses are recognized through profit or loss. Market risk exposures from these portfolios are measured using the historical simulation Value-at-Risk model complemented by several risk metrics such as Stop Loss and dollar duration (DV01). The Bank has exposures in credit securities, foreign exchange, and financial derivatives such as interest rate swaps, currency swaps, futures, and structured notes as part of its trading and position-taking activities. Financial derivatives are also used to hedge exposures to mitigate price risk inherent in the Bank's portfolios. Where hedging strategies are performed, hedge effectiveness assessments are regularly performed to ensure that the hedging relationship still meets the risk management objective set at the inception of the deal.

IRRBB is the current and prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect its banking book positions. Excessive levels of interest rate risks in the banking book can pose a significant threat to the Bank's earnings and capital base. Therefore, it is imperative for the Bank to establish adequate risk management policies and procedures, appropriate risk measurement models, risk limits structure, and a robust risk management system.

Interest rate exposures from core banking activities are measured through (a) Earnings-at-Risk (EaR), or the potential deterioration in net interest income over the next 12 months due to adverse movements in interest rates, and (b) balance sheet Value-at-Risk (BSVaR), or the impact on the economic value of future cash flows in the banking book due to changes in interest rates. BSVaR considers both principal and interest payments while EaR considers principal payments only. Both are built on the repricing profile of the balance sheet accounts. IRRBB risk levels are compared against RMC-approved limits and regularly reported to the RMC and Senior Management.

BPI ensures adequate liquidity levels at all times and contingency plans are in place in the event of liquidity stress. The Bank's liquidity profile is measured and monitored through its internal metric – the Minimum Cumulative Liquidity Gap (MCLG), and the regulatory metrics – Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). MCLG measures the smallest net cumulative cash inflow (if positively gapped) or the largest
net cumulative cash outflow (if negatively gapped) over the next three months. This indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the Bank. LCR determines the short-term resilience of the Bank's liquidity risk profile, requiring financial institutions to hold adequate level of high-quality liquid assets to cover net cash outflows in the next 30 days. BPI, on a solo and consolidated basis, maintains adequate liquidity to provide sufficient buffer for critical liquidity situations. NSFR complements the LCR by limiting the overreliance on short-term wholesale funding and promotes enhanced assessment of funding risk across all on- and off-balance sheet accounts. An
escalation procedure is in place to immediately report to Management and the RMC when MCLG, LCR, and NSFR levels are approaching approved floor levels and the minimum regulatory limits, respectively. Corrective actions are identified and implemented to resolve possible and actual breaches, if any, in order to maintain a stable liquidity environment. Scenario analyses and simulations provide forward looking liquidity conditions to anticipate potential funding requirements.

The Bank performs regular stress testing activities to determine its ability to withstand and evaluate the impact of financial crises and other types of stress events. It conducts price stress tests in the banking book and EaR stress tests using a variety of interest rate shock scenarios to identify the impact of adverse movements in interest rates on the Bank's economic value and earnings. The design of the price and EaR stress tests includes various scenarios such as steepening and flattening yield curves, parallel up/down and short rate up/down scenarios, and other notable stressed events experienced by the financial industry. The interest rate shocks applied are calibrated for all significant currencies in which the Bank has active positions. The Bank also conducts liquidity stress tests using different risk events, scenario types, and stress horizons to assess the Bank's liquidity position and determine potential liquidity shortfalls during stress events.

The results of the stress tests are presented to the RMC and Senior Management to integrate them to the overall risk management process of the Bank. In 2020, the Bank conducted various portfolio and risk simulations to evaluate the impact of possible strategies and actions to address the COVID-19 pandemic. Hypothetical scenarios taking into account the COVID-19 pandemic were also used for the Bank's price, IRRBB and liquidity stress testing activities. All these initiatives were undertaken to ensure that the relevant market, IRRBB and liquidity risks are identified and controlled.

The risk management process, including its various components, is subject to regular monitoring and periodic independent review (i.e., internal/regulatory audit and model validation), and consistently calibrated to ensure accuracy, propriety, and timeliness of data and assumptions employed. The assumptions and parameters used in developing these metrics are properly documented, and any change in the methodology and assumptions is approved by the CRO and noted by the RMC.

Operational and Information Technology Risks. BPI's Operational Risk Management Division (ORM) monitors risks arising from inadequate or failed internal processes, people, and systems or from external events such as natural disasters that damage physical assets and electrical or telecommunication failures that disrupt the Bank's operations. Operational risk is inherent in all banking products and services, and may include risks that give rise to adverse legal, tax, regulatory, or reputational consequences. Information Technology (IT) is a significant risk factor assumed in conjunction with operational risk, given the highly automated nature of the Bank's processes and services. The Bank defines IT risk as the risk of any potential adverse outcome arising from the use of or reliance on IT (i.e., computer hardware, software, devices, systems, applications, and networks). IT risk includes, but is not limited to, information security, service availability, reliability and availability of IT operations, completion on specification of IT development projects, and regulatory compliance pursuant to the BSP's guidelines on Information Technology Risk Management. The ORM Committee provides Senior Management oversight over its ORM Division, in accordance with regulatory requirements.

One of the significant resources that the Bank employs are Business Risk Officers (BRO). The Bank has several BROs coordinating with and overseeing key functional areas and business units across the organization. The BROs are responsible for promoting a sound risk management culture, implementing ERM best practices as determined by the RMO, and ensuring timely submission of operational and other risk reports in the first line of defense.

BPI develops and monitors Key Risk Indicators (KRIs), oversees thoroughness of Bank-wide risk and control self-assessments, loss event management processes, and operational risk management awareness and appreciation programs. The Bank manages its operational and IT risks by ensuring such risks are thoroughly identified, assessed, monitored, reported, and mitigated. It has defined clear responsibilities related to the performance of the risk management function, as well as the accountabilities, methods, and tools employed to identify and mitigate operational and IT risks in the Bank's operating units. It requires operating units to undertake regular self-assessments to identify risks, assess the inherent and residual risks, identify controls, and assess the design and the performance effectiveness of these controls. KRIs are used to monitor risk profiles, trigger early-warning alerts, and instigate mitigating action. Operational loss events data collection and analysis provide meaningful information in effectively managing risks. The risk and control library improves the Bank's aggregation and reporting process by providing an aligned taxonomy of risks and controls. With the Bank's drive for digitalization, ORM implemented an ORM System (ORMS) that fully integrates these tools and processes. Through the ORMS, manual processes are eliminated, and correlation with all tools is possible, thereby providing better visibility to Management.

BPI's exposure to operational risks is identified, assessed, and monitored as an integral part of the risk assessment processes. The Bank currently uses the Basel II regulatory basic indicator approach to quantify operational risk-weighted assets, using the historical total annual gross income as the main measure of risk.

BPI regularly performs operational risk stress tests, through scenario analysis, to support the internal capital assessment for operational and IT risks, as part of the Bank's initiatives to advance risk management methodologies. Through a series of stress scenarios, the Bank is able to identify, analyze, and assess the impact of unexpected and severe operational risk events. This exercise ensures that the impact of high-severity events is captured during risk assessment, especially those not yet reflected in the Bank's existing historical loss data.

The Bank's risk management processes are ingrained in BPI's new product development efforts. From inception to launch, new products or programs, as well as its related processes and systems, are subject to rigorous risk assessments, design and testing activities aimed at safeguarding both the Bank and its clients from the risks of economic loss, operational disruption, or compromise of personal or financial data. BPI has updated its guidelines on the assessment and approval process for engaging in new business activities to cover not only products and processes, but also new markets and new business locations or offices.

The Board-level RMC is regularly apprised of IT risks through comprehensive reporting and discussions during monthly meetings. The RMC is likewise, continually briefed on current cybercrime landscapes, emerging risks, and industry trends, as well as mitigating measures implemented by the Bank.

The Bank continues to closely monitor established measurements and limits on risk indicators, and implement mitigating measures in view of increasing cyber-related risks and risks related to the COVID-19 pandemic, primarily on the health and safety of the Bank's employees and continuity of operations with the significant portion of the work force on work-from-home arrangements. The Bank's strategic initiatives on digitalization, improvements on IT infrastructure and cybersecurity technology, and availability of business recovery sites enabled the continued delivery of the Bank's products and services to its customers. The Bank remains operational as it implemented split operations, activated alternate work sites and mobility areas to improve accessibility of the Bank's employees to office premises, and adjusted working hours and work-from-home arrangements. The Bank also launched the mobility program for employees, and equipped them with adequate tools to allow work outside of Bank premises.

For personnel safety and welfare, the Bank fully complied with health and medical guidelines from the Department of Health (DOH) and Department of Labor and Employment (DOLE). Additional precautionary measures continue to be implemented and include providing transportation for employees, enforcing virtual meetings, and limiting movements of personnel within and across its business offices. COVID-19 rapid testing for all employees and maintenance personnel were likewise carried out.

Business Continuity Risk. BPI is able to maintain its business continuity capability and organizational resilience by means of an effective and sustainable Business Continuity Management (BCM) program. This program was self-assessed by the Bank, aligned with ISO 22301 and BSP Circular 951 (Business Continuity Management). Within this program are methodology, products and services, recovery plans, and a response structure to provide adequate level of services until normal operations resume. The Business Impact Analysis (BIA) methodology identifies products, services, and processes that should be prioritized during a disruption. Risk Assessment for Business Continuity (RABCon) identifies the most probable threats to the Bank, assesses the likelihood of their occurrences and their impact to key areas of the Bank. Business Recovery Plan (BRP) provides a suitable solution that focuses on the impact of events and the timely restoration of building, equipment and supplies, technology and vital documents, human resources, and third-party vendors.

Resiliency structure is in place and functional areas have been identified to meet business continuity objectives and to support the agreed recovery solution. Each functional area has a designated Functional Business Continuity Coordinator who handles localized risk events impacting business units in the functional areas, with the support and guidance of tactical teams such as the Incident Management Teams and the Corporate BCM Unit. For incidents that rise to the level of a true crisis, the Crisis Resiliency Committee (CRC), composed of senior officers of the Bank, is convened to establish command and control.

At the onset of the pandemic, the CRC convened regularly to provide direction and to streamline critical parts of the operational approach for the Bank to operate more effectively. Employees were transitioned to remote working, equipped with the necessary access and tools, and precautionary measures were implemented in all the corporate offices and branches for the safety and security of the employees. BPI's business recovery sites in strategic locations proved to be helpful as it enabled the Bank to immediately implement split operations (Team A and Team B), physical distancing, and decreased personnel density in the main corporate sites to contain infection.

The foundational capabilities that the Bank has in place, which included anything from experience and relationships to frameworks and data, allowed the Bank to be resilient in the face of the disruptions related to the pandemic.

Information and Physical Security Risks. The Bank is vigilant about information and physical security. BPI's Enterprise Information Security Management (EISM) team is continuously maintaining and revalidating the inventory of the Bank's information assets to enhance monitoring and reporting of information security risks. It addresses the evolving cyber-threat landscape and adheres to applicable laws such as the Data Privacy Act by continuously improving its defenses, following the Bank's Information Security Program. To secure the new computing environment, the Bank implemented technical and organizational controls that maintain the confidentiality, integrity, and availability of information assets and IT facilities.

To complement continued investments in technical controls and recognizing the criticality of a cyber-aware organization in securing the Bank from attacks, the Bank has an established awareness program that includes classroom trainings, e-learning courses that are accessible anytime, anywhere, roadshows, and periodic bulletins. Awareness campaigns for clients to combat fraud, which has risen as a consequence of increased adoption of online services by the public, have been intensified with sustained engagement also conducted extensively online via social media, the BPI website, press releases, and e-mail bulletins. The Bank continually implements programs such as these to make clients and employees aware of the current cybercrime landscape, emerging risks and trends, and mitigating measures to further strengthen operational risk and information awareness. An established third party or vendor risk management program ensures that the use of service providers and IT suppliers do not unnecessarily expose the Bank to operational, regulatory, and reputational risk.

BPI's Facilities Services Group (FSG) is at the forefront of ensuring a safe and secured environment within which the Bank's clients and personnel can conduct business at their convenience. Being the office responsible for the physical security of the Bank's facilities and the overall safety of its clients and employees, FSG implements a proactive and integrated approach to people, infrastructure, and information security to address the increasingly sophisticated and cross-border threats on financial products and services fulfillment.

Facilities security and monitoring are constantly evaluated and enhanced to achieve more advanced, dynamic and resilient designs integrating traditional physical security system with value engineering of more advanced tools to stay ahead of the evolving physical and financial security landscape. Reinforcing this effort is capability development through physical security monitoring systems improvement and deployment of emergency communications at strategic areas for enhanced coordination. Amidst the COVID-19 pandemic, FSG provided several safety initiatives aligned with Inter-Agency Task Force on Emerging Infectious Diseases (IATF) guidelines which include the employee shuttle services, disinfection of premises, distribution of Personal Protective Equipment (PPE) such as face masks and hand sanitizers and conversion of idle workspaces for mobility or alternate sites. To further hasten the cadence of digitization of FSG processes, an electronic workflow or "Maximo" was introduced for facilities maintenance, construction & design, supply chain management, and payment to service providers and suppliers. With the foregoing and FSG's Physical Security and Safety Response Plan laid down for all types of emergencies and calamities that is further supported by trained personnel and physical & technological assets, the Bank is ready for any kind of eventualities and emergencies.

Legal and Tax Risks. BPI has two specialized legal services divisions composed of highly-trained legal professionals with experience in banking and corporate law that serve as BPI Group's main legal resource. These two legal divisions play critical roles in the operations of the Bank especially during this time of the pandemic.

The Bank's Corporate Legal Affairs Unit composed of the Documentation, Legal Advisory, Legal Risk, Tax Compliance, Tax Advisory and Tax Risk Management units provide proactive guidance and support to effectively manage the Bank's legal and tax risks. The Documentation and Legal Advisory units ensure that the Bank's rights and obligations are protected in its contractual relations, and that the Bank is abreast of legal developments and requirements, respectively. It also conducts a legal risk assessment of potential claims against the Bank and recommends legal risk mitigation measures. It further empowers the Bank units by issuing legal and tax advisory bulletins and providing supporting training seminars that highlight legal and tax issues, new laws, and regulatory fiats that impact the Bank's products and services, and promote awareness of initiatives of various regulatory agencies.

RISK MANAGEMENT

During the pandemic, the Bank's Corporate Legal Affairs continued to provide legal direction and support to the Bank, working closely with Management, Risk and Compliance Offices, and the various business segments in monitoring, interpreting, and implementing laws, government regulations and issuances in connection with the pandemic. These include the Bayanihan to Heal as One Act, Bayanihan to Recover as One Act, implementing rules and regulations issued by the BSP and SEC, various IATF resolutions, BIR issuances, and local government ordinances.

The Bank's Dispute Resolution and Litigation unit plays a significant role in protecting the Bank's rights and interests and in avoiding losses when it is involved in all types of disputes from customer complaints before regulatory bodies to full blown litigation in all levels of the judicial proceedings as well as from trial courts to the Supreme Court. It handles cases that involve large enterprise loans, retail loans, and trade financing. The other units specialize in criminal cases, cybercrime cases and administrative cases (including BSP and SEC cases) filed in behalf of and against the Bank. It likewise handles defensive cases filed by any party against the Bank for any reason, and also plays a significant role in the AMLA Compliance and the Labor Relations Compliance. During the pandemic, the unit worked closely with the Bank's HR to ensure compliance with all issuances of the DOLE, and other related regulatory issuances of the BSP.

Reputational Risk. The Bank defines reputational risk as the risk of potential negative public perception or uncontrollable events and developments to have an adverse impact on the Bank's brand and reputation that can affect the ability to maintain existing or establish new business relationships and continued access to sources of funding.

A company's reputation is a very valuable asset, especially for a financial institution. A negative corporate reputation harms client and investor trust, erodes customer base, and hinder sales. Poor reputation also correlates with increased costs for hiring and retention which degrades operating margins and prevents higher returns. Furthermore, reputational damage increases liquidity risk which impacts stock price and ultimately slashes market capitalization.

BPI has an established reputational risk management framework that provides consistent standards for the identification, assessment, and management of reputational risk issues. While all employees have a responsibility to protect the Bank's reputation, which forms part of the Bank's Code of Conduct, the primary responsibility for managing and reporting reputational risk matters lies with the business and operating units in the first line of defense. The Corporate Affairs and Communications unit, on the other hand, is the risk control owner of reputational risk, promoting awareness and application of the Bank's policies and standards regarding reputational risk and encouraging business units to take account of the Bank's reputation in all decision-making, including dealings with customers and suppliers, and among employees.

The Bank's policies ensure reputational risk matters are managed in a consistent manner and aligned with the Bank's strategic priorities. It has established risk indicators for reputational risks that are regularly monitored and reported. These include events and developments related to products and services, channels, financial performance, human resources, and corporate social responsibility that are further amplified through traditional and social media coverage.

Environmental and Social Risks. Management of environmental and social (E&S) risks forms part of the Bank's overall ERM framework and follows the Bank's general risk management process. Processes and initiatives to manage E&S risk exposures to date include the issuance of policies on good governance, code of business conduct and ethics, physical safety and security, amongst others; environmental risk assessments on the Bank's various physical assets; vendor evaluation in terms of compliance to environmental and social standards; data gathering on energy & water consumption and carbon emissions to monitor the Bank's environmental impact; and promotion of investments in businesses, industries, and projects that contribute to the Bank's Sustainability Agenda via loans, capital raising, leasing arrangements, technical support, and client education.

As it entered the next phase of its E&S journey, the Bank enhanced its Sustainability Framework and Governance Structure in 2020, and likewise developed and approved an Environmental and Social Risk Management System (ESRMS) transition plan. Part of its governance structure is the oversight of the Board through the Executive Committee (ExCom) and the Risk Management Committee (RMC). The ExCom oversees the overall integration of sustainability principles in the strategic direction of the bank while the RMC is responsible for ensuring E&S risk management is incorporated in the Bank's risk management systems. At Senior Management level, the Sustainability Council leads the implementation of the Bank's Sustainability Agenda and regularly reports to the ExCom. The Bank also has an established Sustainability Office and a recently formed dedicated Environmental & Social Risk Management unit under the RMO to provide support to the Board and Senior Management in implementing the transition plan. All these efforts are geared towards fully complying to BSP 1085 (Sustainable Finance Framework) within the prescribed three-year transition window.

Moving forward, implementation of new and enhancement of existing E&S policies and processes are expected to ensure alignment of the Bank's efforts with local and global best practices and realization of the Bank's Sustainability Agenda.

Model Risk. BPI's Risk Models Validation Department (RMV) is responsible for conducting the independent model validation activities of the Bank's risk and stress testing models. The independent validation of risk models is governed by the Bank's model risk management policy and governance framework, aimed at ensuring an active and effective model risk management across the enterprise. RMV conducts an annual inventory of its models to ensure relevance, comprehensiveness, and usability across functional risk areas. Given the increased regulatory expectations on model risk management and validation in the context of PFRS 9 and enterprise stress testing, and the necessity for business-enabling and risk-informed decision-making, RMV aims to continuously test the quality and robustness of the Bank's risk models, benchmarked to global best practices on model risk management.

With the Bank's comprehensive risk management framework and continuous efforts to enhance its risk management activities that support the Bank's overall focus on digitalization, financial inclusion, and sustainability, BPI was recognized in the 2020 Asia Risk Awards by Risk.Net, winning "House of the Year-Philippines" for the second time in the past three years, and "Bank Risk Manager of the Year" for the Bank's CRO in recognition of sound risk management leadership.

CAPITAL ADEQUACY

The Bank's Corporate Strategy and Planning division oversees the management of the Bank's capital adequacy. Capital adequacy ratio, or CAR, is a measure of the Bank's total qualifying capital relative to its risk-weighted assets, and indicates the ability of its capital funds to cover various business risks.

This division also ensures compliance with regulatory capital adequacy requirements, as well as internal capital thresholds, referred to as the Bank's internal minimum Common Equity Tier 1 (CET1) ratio, or IMCET1, and the CET1 management action trigger, of CET1MAT, which incorporate the Bank's internal capital buffers and limit triggers, and capture risks beyond Pillar 1 (credit, market, and operational).

Furthermore, as the central planning unit of the Bank, this division is responsible for assessing and raising the strategic capital needs of the Bank, as well as initiating approvals for dividend payments to shareholders.

Sound Capital Management. Effective capital management supports the Bank's assets and absorbs losses that may arise from credit, market and liquidity, operational and IT, and other risk exposures. The Bank's capital management framework ensures that on stand-alone and group bases, there are sufficient capital buffers at all times to support the respective risk profiles of the various businesses of the Bank, as well as changes in the regulatory and accounting standards and other future events.

BPI submits a comprehensive internal capital adequacy assessment process, or ICAAP, document annually to the Bangko Sentral ng Pilipinas, in accordance with the Pillar 2 guidelines of the Basel framework.

As of December 31, 2020, BPI's solo (parent) and consolidated CAR stood at 16.5% and 17.1% respectively, higher than the minimum regulatory requirement of 10.0%. The Bank's solo and consolidated CET1 capital ratio at 15.6% and 16.2%, respectively, likewise compare favorably with regulatory and internal limits and buffers.

The table below shows the Bank's CAR components for December 2020 and 2019:

Risk	Regulatory Capital	
(Php Mn)	2020[1/]	2019
Credit Risk	135,576	140,720
Market Risk	1,321	2,402
Operational Risk	15,878	13,764
Total	**152,776**	**156,886**

Capital Adequacy		
(Php Mn)	2020[1/]	2019
CET1/Net Tier 1 [2/]	247,071	238,063
T2/Net Tier 2 [3/]	13,593	14,079
Total QC [4/]	**260,663**	**252,142**
Total CRWA [5/]	1,355,765	1,407,202
Total MRWA [6/]	13,212	24,016
Total ORWA [7/]	158,783	137,638
TRWA [8/]	**1,527,759**	**1,568,855**

Consolidated Ratios (%)		
CAR	**17.06**	**16.07**
CET1	**16.17**	**15.17**
CCB [9/]	**10.17**	**9.17**

Solo (Parent) Ratios (%)		
CAR	**16.49**	**14.94**
CET1	**15.59**	**14.08**
CCB [9/]	**9.59**	**8.08**

1/ Slightly differs from Note 27 – Capital Management of the Audited Financial Statements, due to an update made to the computation of Foreign exchange exposures under Market RWA post submission.
2/ Common Equity Tier 1 Capital
3/ Tier 2 Capital
4/ Qualifying Capital
5/ Credit Risk-Weighted Assets
6/ Market Risk-Weighted Assets
7/ Operational Risk-Weighted Assets
8/ Total Risk-Weighted Assets
9/ Capital Conservation Buffer

RELATED PARTY TRANSACTIONS

In the normal course of business, the Bank transacts with related parties which include its directors, officers, stockholders and related interest, subsidiaries and affiliates (including those under the Ayala Group of Companies), as well as other related parties defined in the Bank's internal policy.

The Bank maintains its registry of related parties (RPs) which is regularly updated based on the results of RP analyses, as part of the Know-Your-Customer process, conducted by the business units. Updates are also sourced from other reference materials and information gathered from internal bank units and external sources. The Bank's electronic Related Party Database facilitates users' access to the RP registry that serves as a tool in the RP identification process.

As in the past years, RPTs involve credit and noncredit exposures such as borrowings, guarantees, agreements for the periodic provision of leases or other services, asset purchases and sales, derivative transactions, trust transactions, and investments, amongst others, for which RPs are perceived to have significant influence. Vetting is done prior to implementation either by the Board-level Related Party Transaction Committee (RPTC) or the Management Vetting Committee (MVC), depending on materiality, to ensure that transactions with RPs are normal banking activities and are done at arm's length particularly on terms and conditions comparable to those offered to non-related parties or to similar transactions in the market. In 2020, in spite of the challenges in the work arrangements resulting from the pandemic situation, both the RPTC and the MVC consistently carried out the committees' responsibilities in the evaluation of various RPT proposals and the monitoring and review of other RPT-related matters. All regular RPTC meetings, including special meetings, were completed for the year, ensuring that business transactions with related parties are duly executed as needed. BCP guidelines were issued by the RPTC Secretariat to aid and facilitate implementation of necessary changes in the RPT processes due to alternate work arrangements.

The RPTC is composed of three directors, majority of whom are independent including its Chairperson, and two non-voting members from Management, the Chief Audit Executive and the Chief Compliance Officer, both of whom perform post-reviews to ensure proper implementation of RPTs. The RPTC Secretariat, which is part of the Risk Management Office, assists the Committee in carrying out its responsibilities as defined in the RPTC Charter, particularly on strengthening corporate governance and RPT practices. The MVC, on the other hand, is composed of the Executive Vice Presidents of the Bank.

The Bank is committed to ensure strict compliance with laws, regulations and reporting requirements relating to DOSRI and related party transactions, by instituting rigorous vetting processes, establishing adequate controls and oversight mechanisms, and pursuing improvements such as its related party database to facilitate the timely and accurate related party classification of clients and counterparties.

COMPLIANCE

The Bank views compliance to mean not only adherence to laws, regulations, and standards but, more importantly, the consistent conduct of the affairs of the Bank within a culture of high integrity, conforming to ethical business practice, abiding by the principles of fair dealing, accountability, and transparency. This ensures that in all its areas of activity, the Bank and its stakeholders are protected from business risks as comprehensively as possible. The Bank values its reputation most and the fact that it is trusted by its shareholders, clients, employees, partners, and members of the communities it serves.

As the Bank's second line of defense, the compliance function has also evolved in recent years to adapt to the shift towards more technology-heavy strategies, as it seeks to deliver the compliance risk management outcomes required in an era of digital transformation. While remaining a key advisory function, it has embraced a more forward-thinking, risk-based, and stress-tested approach to continuously monitor, evaluate, and improve its ability to ensure compliance in a banking landscape that is subject to disruption and rapid change.

Chief Compliance Officer. Oversight of the Bank's compliance, ensuring that it operates in conformity with its outside regulatory and legal requirements, as well as with internal policies and bylaws, and implementation of its compliance function is the responsibility of the Board, through the Audit Committee (Recommendation 2.10 of the SEC CG Code for PLCs). At the management level, the compliance function is carried out by the Compliance Office, led by the Chief Compliance Officer (CCO).

Designated by the Chairman of the Board, the CCO is not a member of the Board and has the rank of at least a Vice President. The CCO's qualifications are subject to the applicable provisions of the Manual of Regulations for Banks, particularly considering Fit and Proper criteria such as integrity or probity, competence, education, diligence, and experience and training. The CCO annually attends training on corporate governance. (Recommendation 1.6 SEC CG Code for PLCs). See Appendix for the full biography of the CCO.

The Compliance Office oversees the implementation of the Bank's enterprise-wide compliance programs. These programs take into account the size and complexity of the Bank, the relevant rules and regulations that affect its operations, and the business risks that may arise due to non-compliance. By using regulatory and self-assessment compliance matrices, compliance measures are formulated to mitigate identified business risks and tested to ensure effectiveness.

The Compliance Office routinely provides advice to individual business units on applicable laws, directives, standards, and regulations as well as provides compliance support to the Group Compliance Officer. It jointly develops guidance on operations and business processes in order to guard against potential compliance risk, and reviews and assists in interpretations of laws, implementing rules and regulations, standards and guidelines of the BSP, SEC, Anti-Money Laundering Council (AMLC), PSE, Philippine Deposit Insurance Corporation (PDIC), Insurance Commission (IC), National Privacy Commission (NPC), and other regulatory bodies for compliance, communicating them and verifying adherence.

The Compliance Office also helps achieve adherence to the Bank's internal confidentiality regulations; provides regular training and education for employees on the applicable regulations, rules, and internal standards; and leads the Bank's business units in compliance risk assessment, rules-based testing and reporting.

The Compliance Office is currently organized to cover Regulatory Compliance, Corporate Governance, Anti-Money Laundering Compliance, FATCA Compliance, Compliance Analytics and the Data Privacy Office. Considering the rapid developments in the regulatory sphere, as well as the growing complexity of the Bank's products, services, and transactions, the Compliance Office evolves in its coverage of compliance practice areas to anticipate and meet future challenges. Enhancement of our compliance function's scope and domain is redefined for new and emerging sources of compliance risk.

The Compliance Office is also empowered by 22 Group Compliance Officers (GCOs), who are embedded in operational units throughout the Bank. The GCOs enforce Compliance Office initiatives, as well as provide timely reports to the Compliance Office.

The Compliance Office applies a three-layered compliance testing and monitoring process, which includes unit self-assessment testing conducted by GCOs and independent random testing performed by the Compliance Office. Independent periodic review is conducted by the Bank's Internal Audit Division. Results of compliance testing are reported regularly to the Audit Committee.

COMPLIANCE

Overall enforcement is through self-regulation within the business units, and independent testing and reviews conducted by the Compliance Office and Internal Audit. Results of these reviews are elevated to the Board's Audit Committee and, with respect to governance issues, the Corporate Governance Committee.

The Compliance Office promotes adherence and awareness to laws, rules, and regulations by electronically posting information and documents in a compliance database that is accessible to all employees. Regular meetings are conducted by the Compliance Office with the GCOs to discuss the impact of new regulations, decide on the required compliance measures, and amend compliance matrices as necessary. Through continued liaison and dialogue with regulators, the Compliance Office ensures the prompt dissemination of new regulations and other developments affecting bank operations.

Regulatory Compliance. The Regulatory Compliance Department covers adherence to all relevant and applicable Philippine banking laws and regulations. They are in charge of regulatory compliance management with respect to the BSP's institutional compliance rating system, which comprehensively evaluates the effectiveness of a bank's compliance system in mitigating business risk.

Partnership-building with the regulators, external auditor, and industry organizations (Association of Bank Compliance Officers and the Bankers Institute of the Philippines) is also essential in regulatory compliance management.

Corporate Governance. The Corporate Governance Department covers the compliance aspect of the Bank's corporate governance framework and requirements externally, with respect to the laws relevant and applicable to BPI as a bank and as a PLC such as the Corporation Code, and the rules and regulations of the BSP, SEC, PDIC, and PSE, and internally, with respect to BPI's Articles of Incorporation, Amended By-Laws, Manual on Corporate Governance, Code of Business Conduct and Ethics, and all corporate governance-related policies such as those on conflict of interest standards, insider trading, whistleblower, related party transactions and anti-bribery and anti-corruption.

The Corporate Governance Department also monitors compliance with regional corporate governance initiatives, jointly sponsored by the SEC and the ICD such as the ASEAN Corporate Governance Scorecard. Working closely with the Board-level Audit and Corporate Governance Committees, this department ensures that the Bank's corporate governance foundations can withstand rigorous tests and demands of more stringent supervision, regulation, disclosure, and bank governance best practices.

Anti-Money Laundering Compliance. The prevention of financial crimes is a top priority of BPI, not only because they pose a significant threat to its reputation, but because they weaken the integrity of the global financial system. Hence, the Compliance Office extends its ambit beyond the Bank, its policies, and its employees to ensure that its clients also act within the law and do not use the Bank for illegal activities.

The Compliance Office's Anti-Money Laundering Department is responsible for monitoring customer and counterparty transactions in compliance with the Anti-Money Laundering Law, its implementing rules and regulations, and BSP Circular 706 and all other amendments thereto. Developed under the guidance of the BSP's Money Laundering and Terrorism Financing Prevention Program, the Bank's anti-money laundering program covers all its subsidiaries and affiliates.

This program aims to implement sound anti-money laundering practices and combat terrorist financing and other financial crimes. It consists of conscientious customer due diligence and know-your-customer (KYC) processes; sanctions screening; automated tools to identify and detect financial transactions of a suspicious nature; and monitoring, testing, periodic review, and timely reporting of anti-money laundering-combating the financing of terrorism (AML-CFT) events to Senior Management. This program also includes regular and effective AML-CFT training and awareness programs for all personnel; maintenance of customer data and transaction documents within prescribed timelines; and timely updates of policies and procedures in accordance with changes in regulations and AML-CFT typologies.

With increasing global AML initiatives and numerous new regulations, the Bank recognizes that its AML processes and controls are changing from a stand-alone function under Compliance, to an increasingly complex and overarching function cutting across legal, risk and operations. The Bank constantly reviews its program to ensure compliance with the latest legislative and regulatory developments. The Board and management support bank-wide efforts towards establishing strong AML assurance mechanisms and globally consistent standards.

The specialized IT system captures information required for covered transaction reports, and detects suspicious transaction patterns for reporting to the AMLC.

To promote awareness, knowledge, and understanding of AML concepts, principles, and requirements, all employees are required to attend training programs conducted by the Bank's AML Department or through e-Learning courses available with the BPI University, its in-house training academy.

FATCA Compliance. The Bank recognizes global movements to widen tax regimes across borders such as the enactment into law by the United States government of the Foreign Account Tax Compliance Act (FATCA). BPI values its ability to transact efficiently in US dollars and, in support thereof, established a FATCA Compliance Department to ensure consistent and effective compliance with FATCA regulations throughout the Bank and its subsidiaries.

As required under the rules of FATCA, the Bank has appointed a responsible officer to oversee the Bank's compliance with regulations, establish a program to ensure its effective implementation, and accomplish certain certifications with the U.S. Internal Revenue Service (IRS). The FATCA compliance program provides for additional requirements on customer due diligence and documentation and new reporting guidelines to relevant tax authorities.

The Bank appears in the IRS official list of participating financial institutions with the Global Intermediary Identification Number (GIIN) of CUC04I.00000.LE.608.

Type of Financial Institution (FI): Lead of an Expanded Affiliated Group

FATCA Classification and Date of Registration:
- Participating Foreign Financial Institution: April 23, 2014
- Registered Deemed-Compliant Financial Institution/ Reporting Financial Institution under a Model 1 IGA: March 23, 2015

Compliance Analytics. The Compliance Analytics Department supports the Compliance Division by providing proactive data science analytics in identifying and managing various risk and compliance issues to help create pre-emptive and sustainable environments for existing compliance functions. In particular, it is responsible for the over-all design and delivery of various data science analytics initiatives of the Division, which may cover AML, Data Privacy, and other compliance-related matters. The Department ensures continuous training and development of its Data Science Officers under Compliance Analytics to ensure high level tactical data analytics and models produced by the Department.

Manned by an Analytics Team Head and a Data Science Officer, the Compliance Analytics Department also helps BPI differentiate itself from industry peers by using the most advanced technologies as part of a comprehensive effort to improve regulatory compliance while protecting customers' funds and data, as well as the Bank's brand and reputation.

Data Privacy Office. Republic Act No. 10173, known as the Data Privacy Act of 2012, requires government and private sector entities to apply the principles of Transparency, Legitimate Purpose, and Proportionality in its processing of personal data so that the data is (1) only used in relevant and specifically stated ways, (2) not stored for longer than necessary, (3) kept safe and secure, (4) used only within the confines of the law, and (5) stored following people's data protection rights. Cybersecurity and data privacy and protection have become corporate governance and risk management concerns.

BPI has established a comprehensive Data Privacy Program utilizing a combination of policies, organizational structure, access controls, and technologies designed for risk reduction. The Bank has a Data Privacy Office, headed by a Board-appointed Data Protection Officer (DPO), a senior management officer. The key focus of the DPO is to oversee data privacy compliance and manage data protection risks for the organization, consistent with the Data Privacy Act rules and regulations, issuances by the NPC, and other applicable laws. Management has also appointed Compliance Officers for Privacy (COP) for major business units of the Bank to augment the Data Privacy Office and ensure the sustained implementation of the Data Privacy Management Program across business lines. To promote transparency and to comply in part with the Data Privacy Act, BPI has published online and inside its branches the Data Privacy Statement that discloses how BPI collects, protects, uses, and shares personal data across its operations.

The Bank's Data Privacy Statement may be read at www.bpi.com.ph.

COMPLIANCE

MANUAL ON CORPORATE GOVERNANCE

The Bank has a Manual on Corporate Governance (MCG) which, together with the board and board-level committee charters, supplements and complements BPI's Articles of Incorporation and Amended By-Laws. It sets forth the underlying principles of good and transparent governance through a framework of policies, rules, systems, and processes for the Board and Management's performance of their respective duties and responsibilities to stakeholders. The manual also discusses the Bank's sustainability initiatives which encapsulates the value created from BPI's business model while innovating for operational efficiency, empowering people and society, using resources more efficiently, and strengthening stakeholder trust.

The Board commits itself to the principles and practices contained in the manual that are designed to ensure independence and effective oversight. The Board also undertakes every effort to create awareness of these principles and practices within the Bank to ensure proper internalization by every member of the organization. The manual is on the Bank's internal electronic database and published in the company website for easy access and viewing.

The MCG, reviewed annually, was last approved for amendment in February 2020. Upon amendment, BPI submits the updated MCG, bearing the signatures of the Chairman of the Board and the Chief Compliance Officer, to the SEC.

The MCG may be read on our website at www.bpi.com.ph. (Recommendation 8.7 SEC CG Code for PLCs).

Compliance with the SEC Code of Corporate Governance for PLCs. A certification on the Bank's full compliance with the BPI Manual on Corporate Governance, containing relevant provisions of the SEC Code of Corporate Governance for PLCs, signed and issued by the Chief Compliance Officer, is posted on the company website.

ASEAN CORPORATE GOVERNANCE SCORECARD

BPI actively measures its governance practices against its counterparts in the region. The Bank has adopted the rigorous benchmarking framework of the ASEAN Corporate Governance Scorecard (ACGS), which rates how ASEAN PLCs' governance practices fare against global standards.

Since the SEC and the Institute of Corporate Directors (ICD) jointly launched the scorecard initiative in 2012, BPI has merited considerable success and continues to register marked improvement in its scorecard performance. In 2020, BPI garnered the ASEAN Asset Class Award, ranking among the top listed firms across the six participating countries, namely Indonesia, Malaysia, Singapore, Thailand, Vietnam, and the Philippines. In 2020, BPI was also a recipient of the ICD's Golden Arrow Award as a Top Performing Company in the domestic assessment of the ACGS.

The Bank's ASEAN Corporate Governance Scorecard is posted on the company website at www.bpi.com.ph.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

SEC Memorandum Circular No. 15, Series of 2017 and PSE Memorandum CN No. 2017-0079 mandate all companies listed in the PSE to submit the Integrated Annual Corporate Governance Report (I-ACGR) on or before May 30th of every year that the company remains listed on the PSE.

The I-ACGR covers (1) Recommendations from SEC CG Code for Publicly-Listed Companies, (2) Supplemental provisions from PSE CG Guidelines Disclosure Survey, (3) Additional requirements not in SEC CG Code/PSE CG Guidelines but expected of PLCs, and (4) Requirements from the ASEAN CG Scorecard (optional).

BPI's latest I-ACGR as well as that of previous years' may be viewed on the company website at www.bpi.com.ph.

CODES OF BUSINESS CONDUCT AND ETHICS

BPI has Codes of Business Conduct and Ethics for its directors, officers, and employees that provide the key practices and behaviors. The codes serve as guidance so that the right decisions are made in the performance of their respective roles and responsibilities across various functions in the Bank. (Recommendation 7.1 of the SEC CG Code for PLCs).

Employee Code of Business Conduct and Ethics. Built around BPI's Mission and Vision, Credo and Core Values, the Code lists the high-level ethical principles that guide the Bank's business, how its employees must treat its clients, and the conduct expected from them. The Code also includes guidance on care for the environment, labor rights, customer service and protection, commitment to human rights, the right to privacy, and anti-bribery and anti-corruption. The Code of Business Conduct and Ethics is a declaration of principles and, more so, a vital part of the Bank's risk management strategy. Annually reviewed, the Code was refreshed and approved by the PerCom in August 2017.

Through the Code, the Bank desires to: (1) build a culture of integrity, accountability, and ethical behavior that encourages employees to abide by the Code and strive to protect the Bank's reputation; (2) establish a system for detection and reporting of known or suspected ethical wrongdoing or violations of the Code, and; (3) emphasize BPI's commitment to compliance with regulatory guidelines, rules, and laws. (Recommendations 7.1 and 7.2., SEC CG Code for PLCs).

THE CODE OF BUSINESS CONDUCT AND ETHICS
OUR CLIENTS
Values at work: Customer Service, Teamwork, Concern for People
- Building Client Relationships
- Safeguarding Privacy and Security of Client Information
- Promoting and Strengthening Consumer Protection
OUR EMPLOYEES
Values at work: Integrity, Excellence, Teamwork, Loyalty
- Adhering to Company Rules and Workplace Policies
- Creating Dignity and Unity in the Workplace
- Contributing to Workplace Health & Safety
- Following Limits of Authority
- Avoiding Conflict of Interest
- Protecting Property and Assets of BPI and Others
- Recognizing Privacy of Employee Information
OUR SHAREHOLDERS
Values at work: Integrity, Excellence, Teamwork, Loyalty
- Upholding the Bank's Reputation, Service Quality and Trust
- Transparency, Liaison and Coordination with Regulators
- Maintaining Company Records and Reporting Requirements
- Supporting Investors and the Market
- Encouraging and Assisting Whistleblowing
- Handling Related Party Transactions
OUR COUNTRY
Values at work: Integrity, Excellence, Teamwork, Concern for People
- Compliance with KYC, Anti-Money Laundering and FATCA Regulations
- Preventing Insider Trading
- Enforcing Anti-Corruption and Anti-Bribery
- Dealing with Suppliers and Business Partners
- Caring for Sustainability and Communities

Applicability of Code. The Code is applicable to and mandatory for all employees at all levels of the BPI group. As no code could address every situation an employee may encounter, all employees are required to follow both the spirit and the letter of the Code, its policies, and procedures. Annually, all BPI employees are required to read, understand, and comply with the Code of Business Conduct and Ethics.

All others who work for, or on behalf of, BPI are also required to demonstrate the highest standards of professional business conduct. In general, this includes consultants, agents, contract or temporary workers, and business partners.

Each employee's conduct is his or her own responsibility and decision. No employee should ever commit a violation even if directed to do so by a manager or colleague. Any disciplinary action shall be directed against the employee's wrongdoing and not against his person or personality.

The identity of an employee, who is the subject of a Code violation or disciplinary process, and information on such proceedings, shall be maintained in confidence to the extent possible, given the legitimate needs of law and the fact-finding process.

Guidance on the Code. Throughout the Code, employees will find information, key terms, and links to related policies on BPI's internal electronic database, to guide them in making ethical decisions. However, the Code does not contain the answers to every question employees may encounter at work nor cover every violation. In the absence of a specific policy, employees have a responsibility to use good judgment, comply with the spirit of the Code, and seek help from their immediate superior, the Human Resources Management Group, or HR Employee Care Unit if they have any questions or concerns.

Reporting Violations. All employees must report to management any information they may have about any offense or Code violation which has been, is being, or is about to be committed. Failure to do so will subject the employee to the appropriate disciplinary action. Protection of the reporting party's identity will be maintained to the extent possible, within the legitimate needs of law and the fact-finding process. Where appropriate, BPI may apply the protected disclosure protocols of our Whistleblower Policy. Employees are

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also expected to cooperate with any investigation, inquiry, examination, or litigation related to the offense or Code violation.

Director's Code of Conduct. BPI has a Code of Conduct for its Board, adopted in September 2017, which applies to and is binding on all directors of the Bank. The Director's Code is intended to provide guidance to directors, whether executive, non-executive, or independent, with policies on standards for conduct of the business of the Bank, the protection of its rights and its stakeholders, maintaining BPI's reputation for integrity, and fostering compliance with applicable laws and regulations. The principles outlined in the Director's Code of Conduct: (1) codify a standard of conduct for which directors are to abide throughout their term of service, from the date of their appointment; (2) set out a range of matters relating to the director's role and the behavior expected of them to properly undertake their fiduciary duties, protect the business interests of BPI, and maintain its reputation for integrity, and; (3) emphasize BPI's commitment to compliance with regulatory guidelines, rules and laws. In contrast to the Board Charter and MCG, which sets out the qualifications, role, composition, duties, and responsibilities of the Board within the governance structure of the Bank, the Code governs the behavior and conduct of the directors.

The Director's Code, therefore, sets forth policies in several basic areas that commonly require directors to exercise sound and informed judgment, recognize and deal with ethical issues, report possible unethical conduct, and foster a culture of openness, fair dealing, diligence, and accountability. These basic areas include: (1) leadership and stewardship; (2) diligence, care, and skill; (3) upholding the law; (4) conflict of interest; (5) competition and fair dealing; (6) confidentiality; and (7) corporate disclosure. The Director's Code also discusses directors' time commitments, training and development, personal investments and insider trading, political activity and involvement, gifts policy, anti-bribery and anti-corruption, related party transactions, competition and fair-dealing, and public communication. These are all part of the key ESG issues for the banking sector, i.e., Resilience, Business Ethics, Responsible Finance, Financial Product Governance and Human Capital. (Recommendation 2.1 SEC CG Code for PLCs).

Dissemination of the Codes. Among others, the Bank's codes of conduct and policies on conflict-of-interest, insider trading, whistleblower, related party transactions, and other guidelines are embodied in the Bank's MCG and included in the Bank's Management and Operating Manual and Personnel Policy Manual, each of which is recorded in electronic databases readily accessible for all Bank employees. Bank policies are also regularly announced via internal e-mail facility to ensure constant top-of-mind awareness of employees of the need to comply with these policies. Directors are provided with hard copies as well as electronic copies of the Director's Code. Both the Employees' and Directors' Codes of Conduct are disclosed in the MCG and on the company website at www.bpi.com. ph. (Recommendation 7.1, 8.7 SEC CG Code for PLCs).

Training on the Codes of Conduct. In 2020, the Corporate Governance Department, in collaboration with the Bank's HR Training team, created the new mandatory Code of Business Conduct (COBC) Course which includes training sections on other CG policies of the Bank such as the Insider Trading Policy, Whistleblower Policy and the Anti-Bribery and Anti-Corruption Policy. The COBC course was also migrated onto Granite, an online portal that can be accessed by employees using their smart phone or tablet devices, to ensure that employees would be able to take the mandatory training course in light of the limited in-office training that could be conducted due to the COVID-19 pandemic.

Annual Affirmation to the Codes. All directors and employees acknowledge annually, through a Statement of Affirmation, that they have read and understood the employee Code of Conduct and/or the Director's Code, respectively, as well as the MCG, and fully comply and adhere to the principles, standards, and policies therein. In 2020, the COBC course was also integrated with the Annual Employee Affirmation exercise and both made accessible on Granite. Employees must first take and pass the mandatory COBC course before being able to accomplish the annual affirmation.

The Corporate Governance Dept., working with the HR Training team, also ensured that notices on the Employee Affirmation and COBC Course were broadcasted group and bank-wide to remind employees of their need to comply with the mandatory training and affirmation.

In adherence to Recommendation 7.2 of the SEC CG Code for PLCs, the Board, through the Personnel and Compensation, Audit, and Corporate Governance Committees, ensures that the Bank's Human Resources Management Group implements and monitors compliance with the Code.

COMPANY POLICIES AND STANDARDS

Major policies and standards are also in place to guide and support BPI employees' adherence to the Code of Business Conduct and Ethics and to internal company rules and regulations.

Conflict of Interest. BPI does not tolerate those who place their interest above that of the institution, its clients, or business partners. The Bank has in place standards on conflict-of-interest that elevate the interest of the Bank above that of the personal interests of directors, officers, and employees. These standards prohibit directors and employees from using their position of authority or rank to directly or indirectly derive personal gain or advantage.

Our standards on conflict of interest expect all directors and employees to refrain from any conduct that could be viewed unfavorably by the Bank's clients, co-employees, competitors, suppliers, investors, regulators, or the public. The standards also require full cooperation and provision of complete and accurate information from employees during government, regulatory or internal enquiries, investigations, and audits. Directors are required to disclose any conflicts of interests such as cross-board memberships, cross-shareholdings with suppliers and other stakeholders, and related party issues. See Appendix for Board biographies.

The standards also cover specific conflict-of-interest situations such as receipt of gifts from third parties, respect for trade secrets, use of non-public information, and use of company funds, assets, and information.

The Conflict of Interest standards are disclosed in the MCG and on the company website at www.bpi.com.ph. (Recommendation 7.1, 8.7 SEC CG Code for PLCs).

Anti-Bribery and Anti-Corruption. Through its Anti-Bribery and Anti-Corruption (ABC) Policy, the Bank puts the highest premium on sound, responsible, and effective corporate governance. The Bank advocates that directors and employees do not tolerate corruption or any form of bribery nor provide or accept improper inducements in the course of any business dealing. (Recommendation 15.2 SEC CG Code for PLCs).

Aligned with the Bank's commitment to act fairly and with integrity in all business dealings and relationships, the ABC Policy complements the Bank's financial crime policies and programs such as the Money Laundering and Terrorism Financing Prevention Program (MTPP) and Whistleblower Policy.

Guidance on the Bank's ABC Policy is supplemented by the Standards on Conflict of Interest under Request or Acceptance of Fees, Commissions, Gifts. Monitoring of and compliance with the Code of Conduct and related policies are undertaken by the Human Resources Management Group and Corporate Governance Department of the Compliance Division.

For the year 2020, there are no confirmed incidents of bribery or corruption.

The ABC Policy is disclosed in the MCG and on the company website at www.bpi.com. ph. (Recommendation 7.1, 8.7 SEC CG Code for PLCs).

Insider Trading. The Bank has an Insider Trading Policy which prohibits its covered persons or directors, employees, and other parties who are considered to have knowledge of material facts that have not been disclosed to the public, including any information that will likely affect the market price of BPI's securities, from buying or selling these securities for their own personal account. (Recommendation 8.2 of the SEC CG Code for PLCs).

Covered persons are strictly prohibited from trading during periods of structured and non-structured disclosure (trading blackout). This prohibition includes passing on material and non-public information relating to BPI or its clients to anybody who may buy or sell securities.

A trading blackout prohibits trading once the covered person receives material information before a structured or unstructured disclosure. Trading can only be done after said disclosure.

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Office bulletins are regularly issued by the Compliance Office before, during, and after trading blackout periods to ensure compliance with the Insider Trading Policy.

All Directors and Senior Management are required to comply with regular reportorial requirements of and disclosure to the SEC and the PSE for the purchase and sale of BPI shares.

The Bank expects every director, officer, and employee, including related covered persons, to comply with the Policy, and to use honesty and good judgment at all times when trading in the company's securities.

Violation of the policy shall be subject to disciplinary action as may be determined by management or the Board, without prejudice to any civil or criminal proceedings which BPI or the regulators may file. Under the law, insider trading may be subject to penalty for damages or fine and/ or imprisonment.

For the year 2020, there are no confirmed incidents of insider trading.

The Insider Trading Policy is disclosed in the MCG and on the company website at www.bpi.com.ph. (Recommendation 7.1, 8.7 SEC CG Code for PLCs).

Whistleblowing. The Bank supports a whistleblower program, an important mechanism to prevent and detect fraud or misconduct, and enable fast and coordinated incident responses, remedial actions, and damage control procedures. (Recommendation 15.3 of the SEC CG Code for PLCs).

Applicability of Policy. The Whistleblower Policy is applicable to both internal and external stakeholders. All directors and employees, as well as clients, suppliers, and other stakeholders can report any violation. These can include violations of policies, procedures, and applicable laws and regulations such as fraud, sexual harassment, theft, stealing, conflict of interest, information security breach, and any other acts which are inimical to the interests of the Bank and the BPI group.

Reporting Procedure. The whistleblower may approach any of the following officers who are the designated contacts for the Bank and the primary reporting line: Chief Human Resources Officer, Chief Audit Executive, and Chief Risk Officer. Under extraordinary circumstances, the whistleblower may also course the complaint through other reporting lines, like the President and CEO or the Chairman of the Bank's Audit Committee.

The whistleblower may report formally or anonymously to the primary contacts. Reporting can be done in writing, by telephone, in person, or through eye_report@bpi.com.ph.

Upon receipt of the whistleblower report, the personnel to whom the report was disclosed shall immediately initiate the investigation by turning over the details and documents, if any, to the investigating unit of the Bank. The investigation of the whistleblower report shall follow due process as stipulated in the Bank's manual of operations for handling fraud and irregularities.

Non-Retaliation. The Whistleblower Policy emphasizes the Bank's commitment to non-retaliation. It fosters and maintains an environment of utmost confidentiality where all whistleblowers may act appropriately without fear of reprisal, and be treated with utmost confidentiality. An individual who makes a protected disclosure shall not suffer harassment, retaliation, or adverse employment consequences. Any person who retaliates against any individual who makes a protected disclosure shall be subject to discipline, including termination.

In case the whistleblower believes he/she has been subjected to retaliation, he/she may seek redress or file a formal complaint to the three primary contacts for whistleblowing.

In 2020, BPI received a total of 10 reports through its BPI Eye Report Box, all of which have been fully resolved. The nature of the reports included customer issues (50%), administrative matters (20%), internal fraud (10%), and queries (10%).

The Whistleblower Policy is disclosed in the MCG and may also be read on our website at www.bpi.com.ph (Recommendation 7.1, 8.7 SEC CG Code for PLCs).

Related Party Transactions. Our Related Party Transactions Policy imposes stringent guidelines and measures to maintain arm's length integrity in all of the Bank's related party business transactions, operations, and activities. BPI vigilantly guards against improper pricing policies, questionable manners of settlement, and ambiguous or disputable terms of transactions in any related party transactions. (Recommendation 2.7 of the SEC CG Code for PLCs).

Related Parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the latter in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, including affiliates. Related parties may also be individuals or corporate entities.

Because transactions with related parties can be abused, the terms of such transactions are of vital interest to shareholders. The interests of all stakeholders must likewise be fully protected.

Through this policy, the Bank also institutionalized a sustainable framework for identification, assessment, and reporting of related party transactions, aimed at achieving an increased degree of transparency.

Related Party Transactions Committee. BPI established a Board-level Related Party Transaction Committee (RPTC) to assist the Board in assessing material agreements of any kind with a related party and determine whether to approve, ratify, disapprove or reject a transaction. Currently composed of independent and non-executive directors, this Committee meets regularly to vet credit and non-credit related party transactions of significant amounts that meet the materiality threshold per transaction type as established per Bank's policy on RPTs. The Bank's CAE and CCO also sit as non-voting members of the RPT Committee. Internal Audit, under the CAE, performs post-reviews to ensure proper implementation of related party transactions approved by the RPT Committee.

Vetting Process. The RPTC is guided by the following:

- The Committee takes into account whether the RPT is entered into on terms no less favorable to the Bank than terms generally available to an unaffiliated third-party under the same or similar circumstances.
- For a transaction involving a sale of bank assets, the Committee reviews the results of the appraisal or valuation methodology used, as well as alternative approaches to valuation.
- The Committee assesses the extent of the related party's interest in the transaction:
  - Term of the transaction;
  - The related party's interest in the transaction;
  - Purpose and timing of the transaction;
  - Whether the Bank is a party to the transaction and, if not, the nature of the Bank's participation in the transaction;
  - If the transaction involves the sale of an asset, a description of the asset including date acquired and costs basis;
  - Information concerning potential counterparties in the transactions;
  - Approximated value of the transaction and the approximated value of the related party's interest in the transaction;
  - Description of provisions or limitations imposed as a result of entering into proposed transaction;
  - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
  - Purpose of transaction; and
  - Potential benefits to the Bank.

The RPT Vetting Department, which is part of the Risk Management Office, acts as the RPTC Secretariat, assisting the Committee in carrying out its responsibilities as defined in the RPTC Charter.

In adherence to Recommendation 5.6 of the SEC CG Code for PLCs, the Bank's Related Party Transactions Policy, and Code of Conduct, directors with material interest in any transaction affecting the Bank abstain from taking part in deliberations for the same.

RPTs that are classified as a material transaction must be approved by the Board and submitted for confirmation by majority vote of the stockholders in the ASM.

Materiality Threshold. RPTs involving amounts below the materiality threshold must be approved by the proper authority and submitted for confirmation by the Board, or the subsidiary as the case may be. RPTs involving Directors, Officers, Shareholders, and Related Interests (DOSRI), subsidiaries, and affiliates, must at all times be submitted to the appropriate Board for approval.

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SEC Material RPT Policy. In 2019, the RPTC Secretariat, with assistance from the Corporate Governance Department, complied with SEC Memorandum Circular 10 on Rules of Material RPTs for publicly listed companies by submitting to the SEC a Material RPT Policy and posting the same on the company website within five (5) days from the submission to the Commission. To comply, the Bank created additional guidelines to address the major difference in the SEC's policy requirement on material threshold, defined as related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the company's total assets based on its latest audited financial statement. If the reporting PLC is a parent company (e.g., BPI), the total assets shall pertain to its total consolidated assets. The Material RPT Policy was approved by the RPTC on October 18, 2019, and by the Executive Committee on October 23, 2019. The Policy was also filed with the SEC and posted on PSE Edge on October 28, 2019. It was also posted on the BPI website on October 31, 2019.

Management Vetting Committee. The Bank also created a Management Vetting Committee (MVC), currently composed of four Executive Vice Presidents of the Bank, to review related party transactions which are below the materiality threshold. The Compliance Office, under the CCO, is responsible for the post-review of all MVC-approved transactions. The MVC also submits all vetted transactions to the RPTC for its information and confirmation.

All directors, officers, and employees are also required to disclose conflicts and potential conflicts, as well as relationships with clients, prospects, suppliers, and other interests.

Companies within the BPI group are also covered by this overarching Related Party Transactions Policy of the Bank.

Disclosure of Related Party Transactions. Related party transactions are properly disclosed in the Bank's audited financial statements, and other applicable filings in accordance with the relevant rules and issuances of the BSP, SEC, and other regulatory bodies. If needed, the RPT Committee may also call on independent experts to help with valuation issues to ensure that the interests of the Bank and its stakeholders are protected.

A more detailed discussion on related party transactions can be found in Note 25 of the 2020 Audited Financial Statements. The Related Party Transactions Policy is disclosed in the Manual on Corporate Governance and may also be read on our website at www.bpi.com.ph (Recommendation 7.1, 8.5, 8.7 SEC CG Code for PLCs).

Mergers, Acquisitions, and/or Takeovers. The Board and Senior Management exercise appropriate due diligence and good faith in the review and consideration of all material issues with respect to strategy, opportunities and risks, pricing or valuation, compliance and legal obligations, including diligence on the parties involved before entering into extraordinary transactions, such as mergers, acquisitions, and takeovers. The Bank engages the service of independent and qualified third-party firms and consultants to evaluate the fairness of the transaction price and terms and conditions. (Recommendation 8.6 SEC CG Code for PLCs).

The Bank exercised such diligence and transparency in its (1) 2016 acquisition of a minority stake in rural lender Rizal Bank Inc. (RBI), a member institution of CARD Mutually Reinforcing Institutions, and (2) purchase of the ownership interests of Ayala Corporation (20%) and Globe Telecom, Inc. (40%) in BPI Direct BanKo, Inc., A Savings Bank, which was founded in February 2000 as BPI Globe BanKo.

In November 2020, Tokyo Century Corporation (TCC), BPI's strategic partner in the joint venture BPI Century Tokyo Lease & Finance Corporation (BPICTL), increased its equity stake from 49% to 51%. With TCC as majority shareholder, this would allow BPICTL to optimize the value of TCC's expertise in the full service operating lease industry while also capitalizing on BPI's customer base.

Finally, in early 2021, the Board also approved the merger between BPI and BPI Family Savings Bank, with BPI as the surviving entity, subject to regulatory and stakeholder approvals. The merger will prime the Bank to seize emerging opportunities and ultimately enhance the overall banking experience of customers while also positioning it to capture potential synergies that will benefit shareholders.

Suppliers and Contractors. BPI has established processes for accreditation, vendor selection, and suppliers audit to ensure qualified suppliers are given equal opportunity when bidding for projects with the Bank. All employees, departments, and divisions are also regularly advised to update and review their respective lists of suppliers to meet accreditation requirements. Employees must also review the Bank's detailed policies on outsourcing services where applicable. BPI complies with outsourcing regulations mandated by the BSP which requires banks to put in place appropriate processes, procedures, and information systems that can adequately identify, monitor, and mitigate operational risks arising from the outsourced activities.

In this regard, BPI's Board and Senior Management established policies on outsourcing to ensure that all outsourced activities are conducted in a safe and sound manner and in compliance with applicable laws, rules, and regulations.

From a governance standpoint, commercial transactions with suppliers should be economically beneficial to all parties involved and relationships should be based on the principle of fair and honest dealings. Compliance with internal policies must be in place to stop fraud, money laundering, bribery, and corruption and adhere to local or international laws and regulations. From an ESG standpoint, the Bank's goal is to work collaboratively with supply chain partners on sustainability. BPI's supply chain management policies ensure that the Bank's supply chain is not only sustainable but is also geared towards improving the lives of workers, their communities, and the environment. The Bank also engages suppliers who promote sustainable development and who comply with national laws and internationally recognized standards and conventions for ethical, environmental, and social conditions.

Creditors. As a financial institution and an active participant in the capital markets, BPI respects the rights of its creditors. In 2020, the Bank continued diversifying its funding sources and lengthening the maturity profile of its borrowings through a series of fundraising activities, focusing on the onshore debt market. For details of the Bank's issuances in 2020, please refer to pages 58 to 59.

BPI attributes the success of these issuances to the robust demand from both institutional investors as well as high-net worth and retail clients. These issuances support the Bank's drive to diversify its investor base and fund its asset expansion, particularly loan growth, digitalization initiatives, and general corporate purposes.

The Bank complies with all covenants of its debt and equity issuances and respects the rights of its bondholders and stockholders. BPI also complies with statutory requirements with respect to post-issuance continuing disclosure, tax compliance, and other duties, responsibilities, or actions it is obligated to perform or is prohibited from performing, for the respective capital market issuance. The Bank also has an Investor Relations Office to respond to investors' need for information. It keeps rating agencies informed of material events and responds to other requests for information.

Data Privacy. BPI has a strong Data Privacy Policy in place. This policy describes to whom it applies to, what personal data the Bank collects, and how such data is collected, and how the Bank may use personal data for core business and marketing purposes. The policy also covers how the Bank may disclose and share such personal data, how such personal data is stored and retained, and how such data can be accessed or corrected. The Data Privacy Policy or Statement is posted on the company website and complies with the requirements of the Data Privacy Act and the NPC.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) MATTERS

BPI understands that ESG issues are tied directly to a company's operations or products, or indirectly through stakeholder actions across the entire value chain, and can, thus, impact company financial performance. Volatility in the global business environment due to ESG shocks - financial risks, regulatory uncertainty, extreme weather, business interruption costs, and social media, among others - demand that companies build new capabilities such as preparedness for the unknown, and the ability to execute a business strategy without incurring too much risk. Left unmanaged, such ESG shocks can result in critical harm to any company's management, culture, and financial well-being.

ESG Reporting. In reporting material, non-financial issues, the Bank has adopted a globally recognized standard and framework, International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework, as well as references the Global Reporting Initiative (GRI) Standards and Sustainability Accounting Standards Board (SASB), Standards for commercial banks. (Recommendation 10.1 SEC CG Code for PLCs).

Materiality. ESG covers a broad range of issues. It is important to note that not all ESG issues are of strategic significance to banks, such as BPI, or companies that are in the financial services industry. Given the divergent views and barriers that the ESG language can create, it is important to reframe the discussion in business terms relevant to a bank, particularly risk, opportunity, efficiency, and financial performance.

Failing to factor in ESG issues puts the Bank's operations at risk, which can include: negative financial consequences (e.g., fines, penalties); negative operational impacts (e.g., employee strikes or CBA lock-outs, high staff turnover); reputational damage to the company; and increased cost of doing business. On the other hand, effectively addressing ESG issues reduces uncertainties in the Bank's operations and that of associated third parties. It also allows the Bank to avoid costs and minimize potential remedial actions related to ESG issues and incidents. Opportunities include avoidance of penalties for non-compliance, greater employee retention and productivity, lower cost of capital and operations, and access to premium markets and new revenue streams. Any of these alternatives impact the Bank's efficiency and ability to create value.

Key ESG issues for the banking sector can therefore be categorized into the following: (1) Resilience, (2) Business Ethics, (3) Responsible Finance, (4) Financial Product Governance, and (5) Human Capital[1].

BPI believes that the proper management of these key ESG issues is a vital component of strategy, essential to the execution of its core business processes and to being able to deliver returns with greater certainty. By identifying and assessing these key ESG issues in terms of their materiality to its business, and responding accordingly (i.e., strategic rethinking of the business, new product innovation, business model changes, etc.), BPI is able to build a better, more resilient, and more valuable bank. By adapting to changes in the business environment, and not merely to operational or financial risks, the Bank demonstrates recognition and management of the key ESG issues as a long-term driver of market value.

See Material Topics and Stakeholder Engagement section for more information.

Stakeholder Expectations. In the conduct of BPI's materiality analysis, stakeholder expectations are a primary driver of its ESG focus. The Bank takes into consideration environmental issues, employee and social matters, human rights, anti-bribery and anti-corruption, and corporate governance when making business decisions, whether these have to do with the provision of financing, investments, or advice. It takes into consideration the impact of its own operations on the environment. BPI also acknowledges that having a diversified, competent, and satisfied workforce that acts in accordance with established ethical standards is critical to sustainability, noting that poor labor practices can lead to fines, penalties, lost operational time, and high employee turnover. In the same way, the right decisions about talent and supply chain practices will realize lower costs and greater productivity, and thus BPI positions itself well to attract the best talent and to ensure that suppliers adhere to the Bank's social and environmental standards. Changes in customer needs and in the marketplace also call for the Bank's adjustment to the change in consumer and commercial expectations. In this respect, the Bank takes such opportunities to highlight its investment in or lending to borrowers who can make positive impact to the environment, as well as the social benefits of their products and services.

[1] *Based from Sustainalytics Thematic Research, "Key Issue Report Series - No. 2, Banks & Responsible Finance", August 2014*[1]

The Bank's engagement with stakeholders takes on various forms and is carried out through a range of information, communication, and consultative activities and disclosures. The Bank conducts dialogues about its role in society, products and services, business performance, and other issues.

This active engagement has allowed BPI to identify its most significant stakeholder groups and their specific interests, and determine the most significant issues from the economic, environmental, and social sustainability perspective. See Material Topics and Stakeholder Engagement section for more information.

KEY ESG ISSUES FOR THE BANK	
Resilience	- Board leadership and internal management processes - Executive pay, audit and internal controls, and shareholder rights - Integration of environmental and social issues into strategy formulation - Partnerships with organizations to advance sustainable development (Philippine Business for the Environment, International Finance Corporation, etc.) - Management of the environmental impacts and carbon footprint of our buildings and branches - Positive environmental and social impact of our supply chain
Business Ethics	- Code of conduct, conflict of interest - Anti-bribery and anti-corruption, financial crime - Anti-money laundering - Related party transactions, Insider trading - Fraud prevention, Whistleblowing
Responsible Finance	- Financing companies in sustainable development – sustainable products and services (SEF) - Enhancing access to finance for the underserved (BanKo) - Strong growth of Impact Investing (CARD MRI, Rizal Bank) - Responsible Investment products
Financial Product Governance	- Engagement with retail customers and consumer organizations - Fair and transparent marketing and advertising - Consumer protection, customer service and complaints handling
Human Capital	- Talent attraction, retention and development - Compensation and benefits for our employees - Labor and working conditions - Health, welfare and safety - Culture and human rights

It has also allowed the Bank to become more responsive in addressing a wide range of concerns, from customer service to financial solutions, shareholder return, operational strategies, business outlook, regulatory compliance, and employee compensation.

The outcomes of the Bank's stakeholder engagement influence its risk-management processes, allowing it to address potential risks and align the management of issues with business processes and strategies. Finally, the stakeholder engagement also helps the Bank improve and innovate its products, services, systems, operational processes, and practices. (Recommendation 14.1, 14.2, 14.3, 16.1 SEC CG Code for PLCs).

Resilience. The Board has the primary role and responsibility for setting and overseeing the Sustainability Agenda and environmental and social risks of the Bank. The Board's oversight of these issues is reflected in the strategies and policies drawn up by the Board. In this respect, the Board ensures that its membership is diverse and includes directors who have the skills and past or present work, board experience or engagement to understand the key ESG-related issues for the banking sector and the implications or impact on the business.

The Board of Directors, through the Executive Committee, oversees the integration of the sustainability objectives and policies in the strategy setting processes, corporate governance framework of the Bank. The Board, through the Risk Management Committee, likewise oversees the Bank's ESRMS as incorporated in its Enterprise Risk Management System.

The Senior Management-level Sustainability Council is in charge of implementing the Sustainability Agenda of the Bank with the support of the Sustainability Office, including all affected and involved business units. The Council is chaired by the Chief Sustainability Officer, a position currently held by the Head of Strategy and Finance and Chief Finance Officer, Maria Teresa Marcial Javier. The Sustainability Council reports to the Executive Committee on a quarterly basis and as important matters arise.

The Sustainability Office, which supports the Sustainability Council, has in place a 'fit for purpose' ESG management system which monitors and tracks the Bank's ESG performance against key metrics, delivering valuable information to business units to enhance and improve decision-making and practices. The Sustainability Office functions under the Bank's Strategy and Finance Group

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to allow for a streamlined identification of material environmental and social sustainability issues and trends relevant to the Bank's operations and assessing their materiality and implications on the business. These are then incorporated into the long-term strategies, as well as capital allocation decisions of the Bank. The Sustainability Office works with the Corporate Governance Department of the Bank with respect to Governance issues. It also communicates to shareholders and other key stakeholders the Bank's Shared Value approach to value creation and how this drives or supports the overall financial inclusion and digitalization goals.

The Sustainability Office ensures that it also has the right people with the right skillsets to evaluate and monitor these environmental and social issues as well as track and measure performance in this area.

See Sustainability Agenda on pages 22 to 27 for more information.

Business Ethics. Please see the discussions on the Code of Business Conduct and Ethics, Company Policies and Standards elsewhere in this report, under pages 140 to 147.

Responsible Finance. BPI promotes investments in businesses, industries, and projects that contribute to the Sustainable Development Goals (SDGs), in the form of loans, capital raising, leasing arrangements, technical support, and client education. In 2020, the Bank disbursed Php 199.9 billion projects identified to contribute to the SDGs.

In 2016, BPI acquired a minority stake in rural lender Rizal Bank Inc. (RBI), a member institution of CARD Mutually Reinforcing Institutions (MRI) which is a group with the goal of eradicating poverty in the Philippines and uplifting the lives of Filipinos. The partnership made BPI the exclusive local equity partner in the CARD MRI Banking Group and deepened the Bank's reach in the microfinance space, benefiting more unserved and underserved Filipinos. This also reaffirmed BPI's vision to be the leading bank with a strong focus on financial inclusion and sustainable growth. RBI's emphasis on forging trust and building relationships with its clients are aligned with BPI's own customer-centric efforts.

In the same year, BPI also purchased the ownership interests of Ayala Corporation (20%) and Globe Telecom, Inc. (40%) in BPI Direct BanKo, Inc., A Savings Bank (BanKo), which was founded in February 2000 as BPI Globe BanKO. Following a merger with BPI Direct Savings Bank, Inc. in December 2016, BanKo is now wholly-owned by the BPI group and serves its microfinance customers through branch, electronic, and partnership channels.

See Financing Sustainable Development and Financial Inclusion under Responsible Banking section for more information.

Financial Product Governance. BPI is committed to ensuring that its customers have all the information they need and the right advice to make decisions about their finances. Whenever the Bank develops a new product, it follows a stringent process to ensure it is described fully and accurately and sold responsibly. The Bank has an overarching General Product Management Policy, supported by a Product Approval Process, as well as procedures for Client Suitability Assessment. Product branding, as well as marketing communications and promotions are also conducted in accordance with set standards. Employees of business units that are involved in the development and delivery of the Bank's products and services undergo the requisite training to acquire and enhance their skills and competencies.

Through these guidelines and activities, the Bank ensures that customer experience is consistent across all channels and the delivery of its products and services is compliant with regulations. Operating policies and procedures supporting the delivery of products and services are evaluated at least annually to identify areas for improvement and product or service gaps. Risk management, compliance, and assurance activities are also regularly conducted to monitor and ensure integrity of these policies and processes, and financial product governance.

Financial Consumer Protection Program. In 2015, the Bank, established its Customer Experience Management Office (CXMO) as part of the BPI Financial Consumer Protection Program required under BSP Circular No. 857. In compliance with the circular, BPI's CXMO created the Customer Assistance Program (CAP) to build an enabling environment and to define safety nets for recognition and protection of consumer rights. The CAP promotes a culture of fair dealing and embeds responsible business practices in the Bank's operations, in accordance with the BSP's consumer protection regulations and standards of conduct. The CAP also equips Bank employees with the required education and training, and institutionalizes appropriate communication avenues as well as mechanisms for consumers to be able to provide feedback, ask questions, obtain information and clarifications, file complaints, or seek redress effectively and efficiently.

The CXMO is led by the Head of Customer Care and reports, functionally, to the Board through the Executive Committee and, administratively, to the Chief Operations Officer, who also heads the Bank's Enterprise Services Group. The CXMO reports to the Senior Management and the Board every month.

The Bank complies with product and service information and labeling regulations and voluntary codes for consumer protection such as the Banking Code for Consumer Protection of the Bank Marketing Association of the Philippines (BMAP) and its Council of Advisors and product governance such as Markets in Financial Instruments Directive II (MiFID II). BPI has also continuously taken corrective and remedial action in case of any deficiencies or areas for improvement.

In 2020, there were no confirmed incidents of non-compliance.

See Customer Experience for more information.

Human Capital. As a key ESG issue, Human Capital impacts the Bank's reputational and operational risks. It also has business impacts on employee motivation and the Bank's hiring capability. The Bank also needs to strategically manage the sustainability impact of its Human Capital with respect to labor rights and conditions, human rights and society. (Recommendation 15.1 SEC CG Code for PLCs).

Employee Welfare, Health, and Safety. Having engaged and competent employees is BPI's goal for delivering best-in-class customer experiences and for achieving its vision of being the most trusted partner and financial advisor. The Bank strives to be an employer of choice among Philippine financial institutions. With strengths in three main employee engagement drivers of career development and opportunities, goal clarity, and leadership, the Bank introduced more initiatives to boost competency development among its officers and staff, worked to accelerate promotions, and identified the right metrics to better align human resource measures with corporate strategy. Moreover, BPI strives to provide a safe, secure, and conducive working environment for its employees, to continually safeguard their rights and provide equal opportunity for everyone. (Recommendation 2.9 of the SEC CG Code for PLCs).

Employee Training and Development. Employee training and education are essential to the Bank's growth strategy. By ensuring that its staff, specialists, and officers are trained, steeped in best practices, and exposed to an environment that nurtures continuous learning, the Bank is able to provide the highest quality of service to its clients. BPI has a wide array of training programs, aligned with the Bank's business objectives, to hone the skills and capabilities of its employees and prepare them to be the next leaders in the organization. These programs include: (1) the new employee orientation and values orientation workshops for new hires; (2) officers training programs, which initiate new officers into their leadership roles; sales officers training programs; (4) advanced leadership programs for officers; (5) courses on financial advisory; and (6) programs designed to help employees comply with regulatory requirements, among others. (Recommendation 15.1 of the SEC CG Code for PLCs).

The Bank uses a blended learning approach that includes workshops, coaching/mentoring, instructor-led training sessions, and mobile and web-based training courses. It also designs and facilitates leadership and management training programs for supervisors, functional managers, and senior managers to support the Bank's investment in leadership development. Major focus areas of these programs include:

1. Leadership and Management Development – Programs that provide opportunities for BPI leaders to develop their ability to lead, inspire, and motivate their team members and organization. This covers Professional Effectiveness Programs that develop Personal Leadership.
2. Functional – Programs that develop and strengthen specific functional and technical competencies required from individuals so they can perform their tasks effectively.
3. Core and Team Effectiveness – Programs that provide foundational knowledge and competencies for any employee. These also cover programs and interventions for teams in BPI.

The Bank encourages every employee to undertake a minimum of five training days every year, ensuring continuous professional improvement and keeping them abreast of industry developments.

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For 2020, the Bank conducted at least 127 programs. Here are only some of the highlights of the above-mentioned recent trainings of the Bank:

Course Name	Number of Employees	
	2019	**2020**
Conflict of Interest	1,932	19,501
BPI Service Plus	3,294	566
Information Security Awareness Program 1	Not Offered	19,808
Information Security Awareness Program 2	Not Offered	19,795
Operational Risk Overview	9,668	19,889
Values Orientation Workshop	3,092	585
Data Privacy 1	8,884	19,910
Data Privacy 2	8,884	19,895

Employee Welfare. Consistent with the Bank's goal of being the employer of choice, it has adopted a compensation policy that is competitive with industry standards in the Philippines. Regular employees are provided with a comprehensive pay and benefits package, which is reviewed periodically and adjusted to retain current employees and attract new talent.

Tied to this is a performance management system that calls for the alignment of individual key result areas, competencies, and development plans with the Bank's overall business targets and strategy. Officers and employees undergo regular performance evaluations based on their individual accomplishments vis-a-vis their responsibilities, as well as that of the business unit or the Bank. This takes into consideration the Bank's earnings performance, asset quality, business volume, customer satisfaction, corporate governance, and the long-term strategy, goals, and outlook. Deserving officers are granted an annual performance bonus, which is determined by the Bank's annual earnings. The performance bonuses are based not only on an employee's individual productivity and performance relative to assigned targets, but also on a relative comparison to the performance of peers within their rank.

Another testament to BPI's commitment to offer greater value to employees is its equity-linked incentive plan for its officers, from assistant managers and up (with eligibility requirements): Executive Stock Purchase Plan (ESPP), which was launched in 2013. The ESPP program offers officers the opportunity to purchase BPI shares at a discount to the prevailing market price, and to pay for such purchase over a prescribed period of time. This also promotes ownership culture within the Bank that fosters a sense of belonging among officers and develops their direct interest in the Bank. Management believes that this stronger alignment between the interests of BPI officers and shareholders will benefit all stakeholders. This helps achieve more robust earnings and a healthier balance sheet, reflecting a higher stock valuation.

BPI also extends the inherent benefits of being a financial institution by offering its employees and their families the Bank's products and services at affordable terms. These include low-interest rates for auto and housing loans, emergency loans, medical and group term insurance, and salary and emergency loans. In addition, the Bank provides financial security to employees even after their retirement through its retirement benefit plan. BPI has a Defined Benefit Retirement Plan under which employees will receive an amount dependent on their age, years of service, and compensation. The Bank also has a Defined Contribution Retirement Plan, where the defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary of the employee at normal retirement age, with the required years of service based on the provisions of Republic Act No. 7641. All non-unionized employees hired on or after the effective date are automatically enrolled under the new Defined Contribution Plan. Employees hired prior to the effective date have the option to elect into the new Defined Contribution Plan. Funds for both retirement plans are held in trusts, governed by local regulations and practice in the Philippines.

The Bank also looks after its retiring employees through the conduct of annual seminars on estate planning, investment opportunities in and outside of the Bank, and transition from being an employee to an entrepreneur. There are also counseling programs that help employees face life during retirement. The Bank also strengthened its off-boarding program to further equip BPI retirees in this transition. Processing of documents has been made more convenient.

As part of our suite of responses to the COVID-19 pandemic, we implemented the Bayanihan Retirement Program (BRP), a voluntary retirement initiative for eligible employees. The BRP aligns with the provisions set by the government in the Bayanihan 2 Act.

BPI strictly complies with labor laws and regulations and implements best practices in the workplace. The Bank recognizes the existence of company unions and the rights to freedom of association and collective bargaining, and maintains harmonious relations with these unions. BPI also does not discriminate on gender, religion, age, race, color, political stand, or social background. It strictly enforces non-employment of minors and is against forced compulsory labor. The Bank also has an open-door communications policy to address concerns among employees immediately before escalation.

As a requirement in their certification process, the Bank also regularly trains security personnel, who are not formally part of its workforce and belong to third-party agencies, every two years on human rights-related topics. This is to ensure that they uphold the rights not only of the Bank's employees but also of its clients, suppliers, and other stakeholders that do business with the Bank.

From time to time, the Bank employs project hires for specialized tasks for a set project duration. At the end of 2020, there was one (1) project hire in our total employee count.

BPI also has various interest clubs to allow employees to pursue their passions and explore talents outside of work while building camaraderie and esprit de corps.

Employee Health and Safety. On March 8, 2020, recognizing that COVID-19 constitutes a threat to national security and prompting a whole-of-government approach in addressing the outbreak, the Philippine government declared a State of Public Health emergency throughout the entire Philippines through Proclamation No. 922. On March 16, 2020, to prevent the sharp rise of COVID-19 cases in the country, the entire of Luzon was placed under Enhanced Community Quarantine (ECQ). The Inter-Agency Task Force on Emerging Infectious Diseases (IATF-EID) recommended that guidelines be issued by the different government agencies to provide policy directions for the public and stakeholders in complying with Government regulations following the modification of ECQ.

In this regard, the Bank implemented strict safety and health standards in all buildings, offices, branches, and workplaces aligned with the objectives of the health protocols established by the Department of Health to reduce transmission of COVID-19 and minimize contact rate. These included:

A. Reducing transmission of COVID-19
   1. Prior to entrance in buildings or workplaces
      a. All employers and workers:
         i. Wear face masks at all times and remove the same only when eating/drinking. The Bank periodically provided appropriate face shields and washable cloth masks with additional replaceable filters to insert inside the masks;
         ii. Accomplish daily the health symptoms questionnaire and submit to the guard or designated safety officer prior to entry;
         iii. Have their temperature checked and recorded in the health symptoms questionnaire.

         In case any person has a temperature above 37.50C, even after a 5 minute rest, or if their response in the questionnaire needs further evaluation by the clinic staff, the person is isolated in a designated area and not allowed entrance to the premises. The isolation area is well ventilated and disinfected frequently.

         Clinic staff assigned to assess persons held in the isolation area are provided the appropriate medical grade PPEs which includes but is not limited to, face masks, goggles/face shields, and/or gloves;

         Spray alcohol/sanitizers for both hands are provided at the entrance of building premises if practicable.
      b. Equipment or vehicles entering the hub operational area go through a disinfection process; and
      c. If there are long queues outside the building premises, roving officers instill physical distancing of one meter.
   2. Inside the workplace
      a. All work areas and frequently handled objects such as door knobs and handles, are cleaned and disinfected regularly, at least once every two (2) hours;

b. All washrooms and toilets have sufficient clean water and soap and employees are encouraged to wash their hands frequently and avoid touching their eyes, nose and mouth;
c. Sanitizers are made available in corridors, conference areas, elevators, stairways and areas where workers pass;
d. Employees, whether in office workstations or in operations areas, always practice physical distancing, ensuring the minimum one (1) meter radius space (side, back and front) between others;
e. Eating in communal areas is discouraged. Employees eat in their individual work areas and all wastes are disposed properly. Tables and chairs are cleaned or disinfected after every use of communal areas, and before as well as at the end of the work day; and
f. Canteens and kitchens are cleaned and disinfected regularly.

B. Minimizing contact rate
1. The Bank has implemented alternative work arrangements, such as working-hour shifts and work from home (WFH) on rotation basis;
2. Prolonged face-to-face interaction between employees and with clients are discouraged and masks are worn at all times and not removed. Meetings needing physical presence are kept to a minimum number of participants and with short duration. Videoconferencing is utilized whenever possible;
3. Office workspaces are arranged in order to maintain proper physical distancing. Barriers are provided between tables if necessary;
4. Workstation layouts have been redesigned to allow for unidirectional movement in aisles, corridors or walkways;
5. The number of people inside an enclosed space such as a room are limited. Elevator use also considers physical distancing and limits the number of persons in order to observe the 1-meter physical distancing;
6. The use of stairs is encouraged subject to physical distancing requirements. Employees are to always wear face shields in addition to face masks, especially if ging to another floor;
7. Employees are not allowed to report to other BPI offices or buildings where they are not assigned; and
8. Floor marshals are assigned to ensure physical distancing and observance of minimum health protocols.

BPI's Human Resources Management Group, Facilities Services Division and Central Security Office have worked in close cooperation to:
1. Provide the necessary company policies for the prevention and control of COVID-19 in consultation with employees. Advocacy and IEC programs are taken from DOH, WHO and reliable sources of information on COVID-19;
2. Provide resources and materials needed to keep the employees healthy and the workplace safe, e.g., masks, soap, sanitizer, disinfectant, PPEs, including COVID-19 testing kits, etc;
3. Designate the safety officer to monitor COVID-19 prevention and control measures such as physical distancing, wearing of masks, regular disinfection, compliance to thermal scanning and accomplishing health symptoms questionnaire;
4. Enhance health insurance provision for employees;
5. Where feasible, provide shuttle services and/or decent accommodation on near-site location to lessen travel and people movement;
6. Enjoin the hiring from the local community; and
7. Put up an HR COVID-19 Hotline for employees to report any related concerns.

Compliance with Labor Laws. Because of its policy of strict compliance with labor laws and regulations and implementation of best practices in the workplace, the Bank has not identified and recorded any incidents and complaints of labor discrimination, compulsory labor, child labor and employment of minors, forced labor, or human rights abuses.

While the Bank has not been a party to legal cases arising from any of these labor issues, it has a grievance mechanism embedded in the Collective Bargaining Agreement to promptly dispose and amicably settle all grievances. Steps are clearly defined until the level of arbitration.

Being a financial services company, there are no notable recorded incidents of injury, occupational diseases, serious work- related diseases, and other fatalities usually associated with manufacturing and industrial companies.

Employee volunteerism. BPI has a built-in volunteerism program called BPI BAYAN, which encourages and organizes employees to devote some of their personal time to help communities relevant to BPI and its clients. BPI BAYAN is self-sustaining, using a seed fund granted by the Bank in 2009 to finance community development projects the employee volunteers organize. For more details, see pages 84 to 85 or visit www.bpifoundation.org.

Employee Awareness and Compliance with Policies. Policies and guidelines on employee welfare, health and safety, conflict of interest standards, anti-bribery and anti-corruption, insider trading, related-party transactions, whistleblowing, data privacy, consumer protection, and others are included in the Bank's employee manuals available in the internal electronic database. In addition, these policies are regularly communicated to ensure awareness of the need to comply with said policies.

See Social Responsibility under Responsible Operations section for more information on policies, activities and data on health, welfare and safety of employees.

CONTINUOUS DISCLOSURE AND TRANSPARENCY

BPI values opportunities to communicate its initiatives, policies, operations, financial performance, and goals to all of its stakeholders. The Bank believes that dialogue with stakeholders is essential in ensuring their active engagement with the Bank. This provides them with timely, balanced, and understandable information, which is also integral in fulfilling the Bank's role and responsibilities as a global financial institution. In adherence to Recommendation 8.1 of the SEC CG Code for PLCs, the Policy of Disclosure and Transparency is disclosed in its Manual on Corporate Governance and is likewise published in www.bpi.com.ph.

The Bank aims to enhance disclosure and transparency levels and works to improve the usefulness of information to match the different needs of stakeholders. More importantly, it also carefully considers the varied and increasing degrees in granularity of disclosures required by developing market practices and greater regulatory focus on specific areas of the business. Consequently, the Banks strives to present disclosures in a way that is more informative to its audience and to add value beyond minimum standards and requirements.

As a long-time active capital market participant, the Bank has always ensured that its corporate disclosures not only comply with regulatory requirements and meet traditional purposes such as for investor protection, market efficiency and corporate governance, but also to authenticate its concern for other corporate constituencies such as its customers, creditors and employees, as well as the broader general public. For details on capital market issuances, please refer to pages 58 to 59. As a result of these capital market issuances, BPI also makes the necessary disclosures to exchanges such as the PDEx, SGX, and SIX.

Corporate actions of the Bank are approved by the Board and/or Executive Committee.

BPI also practices regular disclosure of financial results. Quarterly financial results are presented to the Audit Committee and the Board before disclosure and are immediately disclosed after the approval by the Board to the BSP, SEC, PSE, PDEx, SGX, and SIX. Quarterly and year-end financial statements and detailed management discussion and analysis are filed within the mandated 45 and 105 calendar days, respectively, from the end of financial period, if not earlier. The company's financial reporting disclosures are in compliance with BSP, SEC, PSE, PDEx, SGX, and SIX requisites.

These reports are made available to investors and analysts after disclosure and are posted as well on the websites of the various exchanges where BPI capital market issuances are traded and www.bpi.com.ph.

The Bank also supports the recommendations and guidance of BSP to broaden and deepen the disclosures of banks in a number of areas, including governance, risk, and compliance. It is the Bank's view that best-in-class disclosures will continue to evolve in light of ongoing pursuit of greater market and stakeholder engagement within the banking sector.

The Bank also recognizes its continuous disclosure obligations under PSE Listing Rules and to the SEC under the SRC. As a PLC, the Bank's corporate actions are disclosed to these two bodies.

Key Disclosure Principles.

- BPI is committed to provide clear, timely, accurate, and balanced disclosure of all material information about the Bank and to provide fair and equal access to such information. BPI, however, treats all information pertaining to the company, business transactions and operations, and products and services as strategic in nature. Therefore, the Bank, in the provision of its disclosures, safeguards its proprietary information and competitive position.
- The Board requires that management has processes in place to support its policy of full, comprehensive, understandable, and timely disclosure of financial results, significant developments, and other material information to both its internal and external publics, such as clients, shareholders, regulators, employees, suppliers, rating agencies, analysts, and stock exchanges.
- Required disclosures of market-sensitive information are coursed through the proper regulatory agency and also released to the public through various cost-efficient and appropriate modes of communication.
- Disclosures should be consistent over time, unbiased, and comparable across the industry.
- In the disclosure process, BPI is guided by internal governance, risk, and compliance standards which serve to ensure information disclosure conforms with the Bank's established rules and procedures to identify, assess, and mitigate any possible risks or damages to the Bank, its counterparties, or partners as a result of any improper disclosure.
- BPI also, at all times, gives due consideration to any matters related to the confidentiality of any information affecting clients' or counterparties' interests. The Bank respects the rights of its clients and counterparties as related to the protection of confidential information.

Company Website, Social Media, and Mobile Banking Platforms. The Bank maintains an official company website in accordance with the SEC-prescribed format and template to ensure a comprehensive, cost-efficient, transparent, and timely manner of disseminating relevant information to the public. Apart from the company website, the Bank maintains official company sites that utilize social media-based platforms. BPI also has a mobile app which can be downloaded through IOS and Android, where banking transactions can be done safely and securely, anytime and anywhere. As with the company website, certain information on the Bank is also available on the mobile app.

More information on BPI's policies and practices on continuous disclosure and transparency may be found on www.bpi.com.ph.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights

BPI treats capital as a most valuable asset and seeks to generate superior returns for its shareholders, while being prudent in risk-taking, spending, and investment. The Bank treats all its shareholders equitably and equally, whether they have majority or minority interest. The Board is committed to respect the rights of shareholders, recognized in the Corporation Code, including, among others:

Voting rights. Shareholders have the right to elect, remove, and replace directors and vote on certain corporate acts.

- Electronic Voting in Absentia. In its meeting held on February 26, 2020, the Board approved Management's recommendations for BPI to provide the Bank's shareholders with the option to vote in absentia in the 2020 ASM. Hence, at the April 23, 2020 ASM, BPI shareholders were able to effectively participate and had the option to cast votes in absentia through an online electronic system, as also provided for in the Revised Corporation Code.
- Cumulative voting is used in the election of directors, who may be removed with or without cause. Directors shall not be removed without cause if it would deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds of the outstanding capital of BPI.
- No stockholders' meeting may conduct business unless a majority of the outstanding and subscribed capital stock entitled to vote is represented, except to adjourn from day to day until such time may be deemed proper.
- The Bank also strictly complies with the rules and regulations of the SEC and the BSP, in relation to sending out the notice of meeting at least two weeks prior to the meeting, right to vote, and right to appoint a proxy.
- BPI adheres to the "One Share, One Vote" rule. Its Amended By-Laws state that shareholders are entitled to voting rights equivalent to the number of shares they hold, i.e., voting is by shares of stock and not "per capita".

Pre-emptive rights. All shareholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They have the right to subscribe to the capital stock of BPI. The Bank's Articles of Incorporation lays down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law as long as they are not in conflict with the Corporation Code.

Right of inspection. Shareholders shall be allowed, within certain reasonable limits, to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code. They shall be provided with an annual report, including financial statements.

Right to information. Upon request and for a legitimate purpose, a shareholder shall be provided with periodic reports which disclose personal and professional information about the directors and officers, and certain other matters such as their holdings of BPI's shares, dealings with BPI, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement and Proxy Forms where these are stated must be distributed to the shareholders before ASMs and in the Registration Statement and Prospectus in case of registrations of shares for public offering with the SEC.

Right to dividends. Shareholders have the right to receive dividends subject to the discretion of the Board. However, the SEC may direct BPI to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except:

- When justified by definite corporate expansion projects or programs approved by the Board;
- When BPI is prohibited under loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without the creditors' consent, and such consent has not been secured; or
- When it can be clearly shown that retention of earnings is necessary under special circumstances, such as when there is a need for a special reserve for probable contingencies.

Appraisal right. In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

- In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any shareholders or class of shares, or of authorizing preferences in any

SHAREHOLDER RIGHTS AND ENGAGEMENT

respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- In case of sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- In case of merger or consolidation.

Alternative Dispute Mechanism. It is the policy of the Bank to resolve disputes or differences with shareholders, regulatory authorities and other third parties, if and when such disputes or differences arise, through mutual consultation or negotiation, mediation or arbitration. If the agreement between the Bank and third parties has an arbitration clause, arbitration is the ADR system being adopted. If none, the Bank initiates conciliation-earnest effort to arrive at amicable settlement. If everything fails, and the dispute progresses into court litigation, the Bank strictly adheres to and complies with Supreme Court A.M. No. 11-1-6-SC-PHILJA dated January 11, 2011 [Consolidated and Revised Guidelines to Implement the Expanded Coverage of Court-Annexed Mediation (CAM) and Judicial Dispute Resolution (JDR)]. (Recommendation 13.4 SEC CG Code for PLCs).

Relative to regulatory authorities, the Bank adopts and complies with the alternative modes of dispute resolution they are using or promoting such as, but not limited to, mediation, conciliation, and arbitration, in compliance with Republic Act No. 9285 (Alternative Dispute Resolution Act of 2004).

More information on BPI's policies and practices to protect and uphold shareholder rights are disclosed in the Manual on Corporate Governance and disclosed on the company website at www.bpi.com.ph. (Recommendation 13.1 SEC CG Code for PLCs).

Investor Relations. BPI believes that transparent and accurate reporting of operating and financial results, major business decisions, and developments gives shareholders and investors the relevant inputs to their investment decisions. In addition, such reporting provides the basis for the sound and robust market valuation of its shares and a proper view to all stakeholders of possible future losses or gains.

Our Investor Relations Office, which is part of the Corporate Strategy, Investor Relations and Sustainability Division, is tasked with a program of proactive, uniform, appropriate, and timely communication and reporting. Full disclosure is done in compliance with the BSP, Securities Regulation Code (SRC), SEC, PSE, PDEx, SGX, and SIX rules, regulations, and disclosure guidelines in light of our capital market issuances. (Recommendation 13.5 SEC CG Code for PLCs). We also directly engage with our European investors who are covered by the Markets in Financial Instruments Directive II (MiFID II) regulations.

Apart from structured disclosures, we also disclose information not required under the disclosure rules if, in our estimation, such matters have an impact on investment decisions by interested parties. Such matters are disclosed as promptly and comprehensively as possible by appropriate methods.

Outside of the stockholders' meetings, BPI engaged and kept our investors, shareholders and stakeholders informed, through various disclosures and activities led by our Investor Relations Office.

Before enhanced community quarantine was imposed on the National Capital Region, we still conducted six one-on-one meetings, joined five conference calls, and attended one investor conference.

However, the rest of the investor activities for the year were conducted virtually via video conferencing platforms such as Cisco's Webex, Zoom, and Microsoft Teams. We had 47 meetings and 17 investor conferences, with over 500 companies participating in these events.

We also submitted over 110 structured and unstructured disclosures which were posted on various Exchanges throughout the year.

The Investor Relations Office also provides quarterly investor presentations and works with the Corporate Affairs and Communications Office for media briefings and press releases. Such information about us is shared regularly with the investing public, analysts, and members of the media. Statements in these presentations describing BPI's objectives, projections, estimates, and expectations may be forward-looking. (Recommendation 11.1 SEC CG Code for PLCs).

Actual results may differ from the statements made in the presentations, whether expressed or implied.

Select regulatory disclosures, all investor presentations and press releases distributed, including presentations of the Chairman and the President and CEO at the ASM, may be viewed at www.bpi.com.ph

Annual Stockholders' Meeting. The Bank gives great importance to effective, timely, and regular communication with its shareholders and the wider investment community and sees this systematic engagement as a critical component of its governance strategy. To this end, a number of means are used constructively to promote greater understanding, clarity, and dialogue with its shareholders, one of which is the ASM.

The ASM allows the Bank's shareholders to advise and adopt resolutions on important matters affecting the Bank on which they have legal sovereignty, such as: the appropriation of profit; ratification of all acts and resolutions of the Board and Management adopted during the preceding year; approval of the Report of the President and Bank's Statement of Condition; amendments to the Articles of Incorporation or By-Laws; and election of Board of Directors and external auditor, as well as measures to amend the shareholders' equity.

The ASM also continues to be a key communications event for our Board and Management. It is a primary opportunity for meaningful discussion of the company's narrative, to engage with its shareholders and investors on the key issues facing the Bank, review fiscal information for the past year, and respond to any questions regarding goals and directions the Bank's business will take in the future. BPI's Board, including the Chairman, Chairman of the Audit Committee, Independent Directors, and senior executive officers, led by the President and CEO, CFO, and Heads of Risk, Control, and Compliance, are always in attendance and available for informal discussion before and after the formal business of the ASM. The Chairman and members of the Board, chairmen and members of the Board-level Committees, and senior executive officers led by the President and CEO, CFO, and Heads of Risk, Control, and Compliance, including the Corporate Secretary, and the Investor Relations Officer attended the 2020 ASM. (Recommendation 13.3, 13.5 SEC CG Code for PLCs).

For the benefit of all the stockholders, the Chairman of the Board and the Corporate Secretary discussed the Rules of Conduct and Procedures for the meeting after the requisite call to order, certification of notice of meeting, and determination of quorum. The Rules of Conduct and Procedures were also detailed in the explanations of agenda items in the Notice of ASM. All items in the agenda requiring approval by the shareholders, including the election of the Board, need the affirmative vote of shareholders representing at least a majority of the issued and outstanding voting stock. Voting is considered on a poll, by shares of stock; that is, one share entitles the holder to one vote, two shares to two votes. Cumulative voting as provided for in the Corporation Code may be applied in the election of the Board. The Office of the Corporate Secretary tabulates all votes received and the Bank's external auditor validates the results.

The Bank proactively encourages the full participation of its shareholders, including institutional shareholders, at the ASM. Shareholders may participate in person or through their authorized representative. For the 2020 ASM, only shareholders of record as of March 6, 2020 were entitled to the notice and to vote at the meeting. Due to the pandemic and enhanced community quarantine in place, it was a virtual ASM and shareholders could not physically attend the meeting. However, they could still participate through the livestreamed webcast of the meeting and the option to vote in absentia through an online electronic system or by appointing the Chairman of the meeting as their proxy.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Duly accomplished proxies were to be submitted to the Office of the Corporate Secretary, Ayala North Exchange Tower 1, 6796 Ayala Avenue cor. Salcedo St., Legaspi Village, Makati City or by email to bpi-sm@bpi.com.ph not later than 5:00 P.M. of April 13, 2020. Validation of proxies was set for April 14, 2020 at 2:00 P.M.

Shareholders are encouraged, recognized, and given sufficient time to ask questions at the ASM to ensure accountability and identification with the Board's and Management's strategy and goals of the Bank. Questions or comments of shareholders, as well as responses of the Board and management, were duly recorded in the Minutes of the Meeting.

The Board ensures that the ASM is held in an easy to reach and cost-efficient venue and location in Metro Manila. In 2020, however, the Annual Stockholders Meeting was conducted virtually via https://asm.ayala.com/BPI2020. Shareholders intending to participate by remote communication were requested to notify the Bank by email to bpiasm@bpi.com.ph on or before April 14, 2020.

Notice of ASM and Definitive Information Statement. The Bank sends the Notice of the ASM to its shareholders well before the meeting date to give them ample time to review the meeting's agenda as well as to provide them with sufficient information regarding issues to be decided on during the meeting.

The Bank's Notice of ASM and Definitive Information Statement is written in English as this is an official language in the Philippines. The Bank provides the rationale and explanation for each agenda item which requires shareholders' approval in the Notice of ASM. In the same way, each resolution in the ASM deals with only one item, i.e., there is no bundling of several items into the same resolution. The profiles of directors seeking election or re-election (including information such as age, qualifications, date of first appointment, experience, and directorships in other listed companies) are included in the Notice of ASM. The external auditor seeking appointment or re-appointment is also clearly identified.

When dividends are one of the agenda items, an explanation of the dividend practice is also included. The Notice of ASM also includes proxy forms which can be downloaded by shareholders from www.bpi.com.ph. For the 2020 ASM, the proxy forms included instructions as well as the deadline for submission of proxies to the Office of the Corporate Secretary, which was on or before April 14, 2020.

The Definitive Information Statement (DIS), or SEC Form 20-IS is issued in accordance with the Bank's Amended By-laws and SRC Rule 20. Shareholders as of record date of the annual or special stockholders meeting are sent the DIS or SEC Form 20-IS at least 15 business days before the meeting. The Bank, as an issuer subject to the reporting requirements of SRC Section 17, must issue the DIS to notify shareholders of the written notice of the date, time, place, and purpose of the meeting; the DIS provides other specific information relevant to the meeting.

The Bank is always transparent on matters of this nature and encourages shareholders, including institutional investors, to attend the meeting by sending individual notices, publication in the newspaper, posting on the Bank's website, and notices to various Exchanges. The DIS or SEC Form 20-IS is deemed to have been given at the time when delivered personally, deposited in the post office, or sent via e-mail. Shareholders who prefer to receive hard copies of the DIS can request for paper copies.

In 2020, the Notice, including the DIS, was sent out to shareholders of record by March 27, 2020, 27 days before the ASM. The SEC Form 20-IS was also sent out to shareholders of record by March 27, 2020, and disclosed via PSE EDGE on the same date. No new item was included in the agenda at the 2020 ASM. Likewise, no amendments were made to the SEC Form 20-IS after the aforementioned disclosure on the PSE EDGE.

The Notice of ASM for the stockholder's meeting on April 23, 2020, included explanations for all agenda items such as: (1) Certification of Notice of Meeting, Determination of Quorum, and Rules of Conduct and Procedures, (2) Approval of the Minutes of the Annual Meeting of the Stockholders on April 25, 2019, (3) Approval of the Annual Report and Audited Financial Statements, (4) Election of the Board of Directors (including the Independent Directors), (5) Election of the External Auditor and Fixing of Remuneration and (6) Consideration of Such Other Business as May Properly Come Before the Meeting. (Recommendation 13.2 SEC CG Code for PLCs).

The Notice of ASM and DIS or SEC Form 20-IS for the current and prior years may be viewed at www.bpi.com.ph.

Minutes of the ASM. The Minutes of the ASM includes all information pertinent to the meeting: date, time, and location of the annual meeting; qualified participants, attendance, and quorum present to conduct business; approval of prior minutes; general report of the President and CEO; record of action items in the meeting including election of the Board, any pertinent discussions, and actual votes; and corporate resolutions that were adopted. The minutes also records the dialogue between shareholders and the Board and Management, facilitating Board and Management's responses to shareholders' questions and clarifications, as well as determining any follow up actions that need to be taken by the Board and Management in the future.

Minutes of the previous year's ASM are provided to shareholders prior to the start of the meeting of the current year. Minutes of the 2020 ASM were likewise posted on the company website within five calendar days from the date of the ASM. (Recommendation 13.3 SEC CG Code for PLCs).

Minutes of the ASM for the current and prior years may be viewed at www.bpi.com.ph.

Voting Results. The results of the voting of the ASM are counted and tabulated by an independent external third-party auditor. For the 2020 ASM, the Bank's independent external third-party auditor, Isla Lipana & Co., performed this task.

Voting results for the 2020 ASM are as follows:

Total Number of Votes (Present and Proxy) – 3,617,725,465 Total Issued and Outstanding Shares – 4,513,100,378 Percentage of Attendees – 80.16%			
Resolution	**For**	**Against**	**Abstain**
Approval of Minutes of Annual Stockholders' Meeting held on April 25, 2019	3,609,449,173 99.8%	-	-
Approval of Annual Report and Audited Financial Statements as of December 31, 2019	3,600,045,973 99.5%	5,772,200 0.2%	3,631,000 0.1%
Ratification of the Acts of the Board of Directors and Officers	3,602,577,216 99.6%	2,997,577 0.10%	3,874,380 0.10%
Election of External Auditors and Fixing of their Remuneration	3,605,432,851 99.70%	3,336,418 0.10%	679,904 0.00%
Election of 15 Members of the Board of Directors			
Jaime Augusto Zobel de Ayala	3,505,825,407	34,293,636	69,330,130
Fernando Zobel de Ayala	3,376,066,856	51,103,464	182,278,853
Romeo L. Bernardo	3,400,159,965	57,405,527	151,883,681
Ignacio R. Bunye	3,606,511,566	2,937,607	-
Cezar P. Consing	3,594,063,587	6,819,289	8,566,297
Ramon R. Del Rosario, Jr.	3,519,239,774	57,405,527	32,803,872
Octavio Victor R. Espiritu	3,524,784,761	57,405,527	27,258,885
Rebecca G. Fernando	3,573,855,037	13,815,433	21,778,703
Jose Teodoro K. Limcaoco	3,505,841,794	56,855,527	46,751,852
Xavier P. Loinaz	3,524,373,944	57,405,527	27,669,702
Aurelio R. Montinola III	3,511,287,217	57,405,527	40,756,429
Mercedita S. Nolledo	3,573,767,754	13,902,716	21,778,703
Antonio Jose U. Periquet	3,359,119,310	57,405,527	192,924,336
Eli M. Remolona, Jr.	3,609,449,173	-	-
Maria Dolores B. Yuvienco	3,609,449,173	-	-

Voting results are submitted to the SEC and disclosed on the websites of the various Exchanges, where BPI capital market issues are traded, and made publicly-available on the company website as well by the next working day or sooner (Recommendation 13.3 of the SEC CG Code for PLCs). The voting results for the 2020 ASM, as well as that of prior years, may be viewed at www.bpi.com.ph.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Annual and Quarterly Reports. The Bank's Annual, Quarterly, and Current Reports are its primary disclosure mechanisms used to impart knowledge about the Bank to all its stakeholders in an informative, structured, and cost-effective manner. The Annual and Quarterly accountability reports effectively detail its performance during the period under review and put that performance in context of the objectives of the Bank, its strategies, and future direction. The Current Reports similarly provide timely updates on significant corporate actions undertaken by the Bank.

The Annual, Quarterly, and Current Reports are regularly submitted to the SEC pursuant to SRC Section 17, which also prescribes format and content.

These Reports are also disclosed on the websites of the various Exchanges, as previously mentioned. These may also be viewed at www.bpi.com.ph.

General Information Sheets. Under Sections 26 and 141 of the Corporation Code, corporations are required to submit the General Information Sheet (GIS) annually to the SEC, within 30 days after the corporation's annual or special stockholders' meeting. Containing, among other information, the names, nationalities, and addresses of the directors, trustees, and officers of the company, the GIS is accompanied by a certification under oath by the Corporate Secretary, President or CEO.

The Bank's latest GIS, as well as that of prior years, may be viewed at www.bpi.com.ph.

SHARE INFORMATION

Stock Information. BPI common shares are listed in the PSE under the ticker symbol of BPI. At Php 367.1 billion as of December 31, 2020, its market capitalization is among the largest in the Philippine banking industry. BPI is a member of the benchmark Philippine Stock Exchange Composite Index (PSEi).

Listing Date: October 12, 1971
Class of Shares: Common shares
Voting Rights: One vote per share
Authorized: 4,900,000,000 shares
as of December 31, 2020
Outstanding: 4,513,101,605 shares
as of December 31, 2020

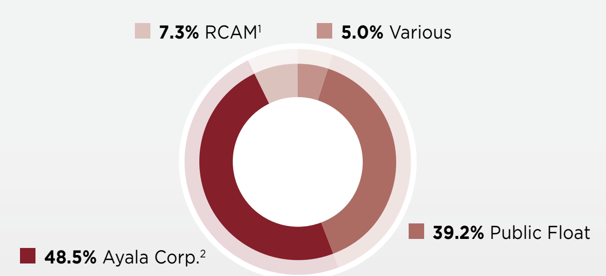
Rights, obligations, and restrictions attaching to shares. The rights and obligations attaching to each class of ordinary, common, and non-cumulative preference shares in BPI's share capital are set out in full in its Articles of Incorporation which may be amended by special resolution of the shareholders and can be found on www.bpi.com.ph.

Minimum Public Ownership. As of December 31, 2020, listed securities held by the public were at 39.2% of BPI's issued and outstanding shares. This is well above the minimum required public float level of 10%.

Ownership Structure. BPI's founding shareholders were primarily charities and endowments associated with the Roman Catholic Church, and its directors consisted of government officials and prominent businesspersons, including Antonio de Ayala, a partner in the predecessor firm of today's Ayala Corporation.

Restrictions on Ownership. Foreign ownership is subject to a limit of 40%.

SHAREHOLDERS



[1] Roman Catholic Archdiocese of Manila
[2] Includes Liontide Holdings, Inc. share

Sharelots Statistics as of December 31, 2020

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 100	1,554	12.63%	57,916	0.00%
101 - 500	4,165	33.85%	1,089,539	0.02%
501 - 1,000	2,051	16.67%	1,496,073	0.03%
1,001 - 5,000	3,012	24.48%	6,520,065	0.14%
5,001 - 10,000	592	4.81%	4,088,235	0.09%
10,001 - 50,000	641	5.21%	13,829,169	0.31%
50,001 - 100,000	110	0.89%	7,497,411	0.17%
100,001 - 500,000	138	1.12%	28,215,629	0.63%
500,001 - 1,000,000	13	0.11%	8,763,129	0.19%
1,000,001 - 5,000,000	16	0.13%	41,346,719	0.92%
5,000,001 - 10,000,000	4	0.03%	27,115,617	0.60%
10,000,001 - 50,000,000	2	0.02%	63,481,023	1.41%
50,000,001 - UP	7	0.07%	4,309,601,080	95.49%
Grand Total	**12,305**	**100.00%**	**4,513,101,605**	**100.00%**

Equity Ownership of Foreigners on Common Shares as of December 31, 2020

Nationality	No. of Shareholders	%	No. of Shares	%
Filipino	12,201	99.1468%	3,201,453,247	70.9368%
Non-Filipino	105	0.8532%	1,311,648,358	29.0631%
Grand Total	**12,306**	**100.0000%**	**4,513,101,605**	**100.0000%**

Shareholdings of Directors and Management as of December 31, 2020. Please see table under Corporate Governance section which sets forth the beneficial ownership of shares of the Company's common stock as of December 31, 2020 by the Bank's current directors and named executive officers and as a group.

Beneficial Ownership Reporting Compliance. Under SRC Section 23, the SEC requires a PLC's directors and executive officers, and persons who beneficially own: (1) qualifying but not more than 100 shares; (2) more than 100 shares but less than 5% of the outstanding common stock; or (3) more than 5% but less than 10% of the outstanding common stock, to file reports with the SEC regarding initial ownership and changes in ownership of the common stock.

In this respect, the PSE also requires, under Section 13.1 of the Revised Disclosure Rules on Disclosure on Transactions of Directors and Principal Officers in the Issuer's Securities, that the Exchange be furnished with a copy of the respective SEC filing within five trading days.

In this respect, the PSE also requires, under Section 13.1 of the Revised Disclosure Rules on Disclosure on Transactions of Directors and Principal Officers in the Issuer's Securities, that the Exchange be furnished with a copy of the respective SEC filing within five trading days.

As a practical matter, the Bank assists its directors and officers in the filing of the required SEC Form 23-A or B reports on their behalf.

The Table below sets forth information as to any known to the Bank to be the beneficial owner of more than five percent (5%) of the Company's common stock as of December 31, 2020.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Beneficial Owners Holding 5% or More of BPI

Title of Class	Name/Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares	Percent of Holdings
Common	**PCD Nominee Corporation**[1] **- Non-Filipino** **- Filipino** 37/F Tower 1, The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City	PCD Participants acting for themselves or for their customers	Various Filipino	918,730,204 753,775,785 1,672,505,989	20.3570% 16.7019% 37.0589%
Common	**Ayala Corporation**[2] 33rd Floor Ayala Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Stockholder	Ayala Corporation[3]	Filipino	1,000,261,934	22.1635%
Common	**Liontide Holdings, Inc.**[4] 33rd Floor Ayala Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Stockholder	Liontide Holdings, Inc.[5]	Filipino	904,194,682	20.0349%
Common	**AC International Finance Limited** c/o Ayala Corporation 34th Floor Ayala Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Stockholder	Ayala Corporation[6]	Cayman Islands	390,269,162	8.6475%
Common	**Roman Catholic Archbishop of Manila** 121 Arzobispo St., Intramuros Manila Stockholder	Roman Catholic Archbishop of Manila[7]	Filipino	327,904,251	7.2656%

1 PCD Nominee Corporation (PCD), now known as the Philippine Depository and Trust Corporation (PDTC), Non-Filipino and Filipino, is the registered owner of the shares beneficially owned by participants in the PDTC. The Board of Directors of each participant generally has the power to decide on how shares are to be voted. Out of the 1,672,505,989 common shares registered in the name of PCD, 373,591,067 shares or 8.2779% and 458,046,372 shares or 10.1493% are for the accounts of Deutsche Bank Manila and The Hong Kong and Shanghai Banking Corporation, respectively.

2 Mermac, Inc. owns 47.2774% of common shares and 56.7314% of total voting shares, while Mitsubishi Corporation owns 6.0202% of common shares and 6.9273% of total voting shares, respectively, of the outstanding shares of Ayala Corporation (AC).

3 The Board of Directors of AC has the power to decide how AC's shares in BPI are to be voted.

4 AC owns 84.16% of the outstanding shares of Liontide Holdings, Inc. (formerly Ayala DBS Holdings, Inc.), which translates to 78.07% effective ownership.

5 The Board of Directors of Liontide Holdings, Inc. (Liontide) has the power to decide how Liontide's shares in BPI are to be voted.

6 Under a Voting Trust Agreement dated October 12, 2017, the Board of Directors of AC International Finance Limited (AC International) has the power to decide how AC International's shares in BPI are to be voted.

7 The Archbishop of Manila has the power to decide how the Roman Catholic Archbishop of Manila's shares in BPI are to be voted.

Voting Trust Holders of 5% or More. AC has a Voting Trust Agreement with AC International.

Payment of dividends. Dividend declaration is ultimately the responsibility of the Bank and the Board which has the authority to declare dividends as it may deem appropriate. Under BSP regulations, no bank shall declare dividends greater than its accumulated net profits then on hand, deducting therefrom its losses and bad debts. The net amount available for dividends shall be the amount of unrestricted or free retained earnings less loss provisioning which takes into account relevant capital adjustments including losses, bad debts, and unearned profits or income.

Per BSP Circular 888, banks that meet the prequalification criteria including capital adequacy requirements and applicable laws and regulations of the BSP can declare and pay dividends without prior BSP verification. However, banks must ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

As approved by the Board, the Bank declares cash dividends to its common shareholders. The dividend payout history shows a distribution of at least Php 1.80 per share in annual dividends. This is designed to provide shareholders the balance that they seek between current income and capital appreciation. The Bank's ability to return capital to shareholders, at the same time adhering to risk and capitalization standards, is a testament to BPI's fiduciary prudence.

While the Bank does not foresee any impediments to its ability to pay dividends on common equity in the medium-term, it evaluates dividend payments from time to time in accordance with business and regulatory requirements, and cannot make explicit warranties about the quantum of future dividend payments.

Historical Dividends (Cash and Stock)
Cash dividends declared and paid during the years 2018 to 2020 are as follows:

Date Declared	Date of Payment	Amount of Dividends	
		Per Share (in Php)	Total (in Php mn)
June 20, 2018	July 25, 2018	0.90	4,052
December 19, 2018	January 29, 2019	0.90	4,052
May 15, 2019	June 19, 2019	0.90	4,056
November 20, 2019	December 27, 2019	0.90	4,057
May 20, 2020	June 26, 2020	0.90	4,062
October 21, 2020	November 26, 2020	0.90	4,062

INVESTMENT RATINGS

Credit Ratings

We ended the year with all three major international Credit Rating Agencies reaffirming its Credit Ratings for BPI: S&P at BBB+ which is two notches above investment grade (same as the Philippine Sovereign), Moody's at Baa2 which is one notch above investment grade, and Fitch at BBB- which is investment grade.

Only S&P revised its Outlook on BPI from Stable to Negative, mainly due to weak macro environment. S&P cited that a deep recession and tough employment conditions could impair the banking sector's asset quality, capitalization, and profitability.

Meanwhile, both Fitch and Moody's affirmed their Stable Outlook on BPI.

BPI's areas of strength noted by all three agencies are: capital, funding, and liquidity.

Capital Intelligence also affirmed our BBB rating with Stable Outlook for the year.

ESG Ratings

In line with the global shift towards the importance of ESG, we are a recognized leader in this space, with ESG rating agencies scoring us reasonably well in 2020. Noteworthy is the upgrade by MSCI from BBB to A in July 2020, as we scored high on risk oversight, governance, and commitments to ethical standards.

BPI's other ESG scores as of end-2020 are:

Bloomberg: 44.3

Sustainalytics: 27

SAM (S&P affiliate): 29

Vigeo Eiris (Moody's affiliate): 48, 10th out of 97 in the Retail & Specialized Banks in Emerging Markets category

In noted areas for improvement, our efforts continue as we move towards enhancing internal policies, processes, and business decisions related to ESG.

SUPPLEMENTAL SCHEDULES

SUPPLEMENTARY SCHEDULES ON CAPITAL AND RISK MANAGEMENT DISCLOSURES PURSUANT TO THE BANGKO SENTRAL'S MEMORANDUM M-2014-007

Capital Structure

The Bank's qualifying capital for the years ended 2020 and 2019 were Php 260.7 billion and Php 252.1 billion, respectively. The Bank's total qualifying capital for 2020 and 2019 were largely composed of CET1 capital at 94.8% and 94.4%, respectively.

The table below shows the composition of the Bank's capital structure and total qualifying capital.

Capital Structure (Php Mn)	December 31, 2020			December 31, 2019		
	CET1/ Tier 1	Tier 2	TOTAL	CET1/ Tier 1	Tier 2	TOTAL
Core Capital	**277,831**	**13,592**	**291,423**	**262,873**	**14,079**	**276,952**
Paid-up common stock	45,045		45,045	44,999		44,999
Additional paid-in capital	74,684		74,684	74,369		74,369
Retained earnings	143,157		143,157	117,642		117,642
Undivided profits	21,306		21,306	28,738		28,738
Net unrealized gains or losses on AFS securities	218		218	-460		-460
Cumulative foreign currency translation	-360		-360	-290		-290
Remeasurement of net defined benefit liability (asset)	-5,927		-5,927	-2,558		-2,558
Gains/(Losses) on Fair Value Adjustments of Hedging Instruments	-291		-291	-124		-124
Minority interest [1]/	0		0	557		557
General loan loss provision [2]/		13,592	13,592		14,079	14,079
Deductions	**30,760**	**0**	**30,760**	**24,810**	**0**	**24,810**
Total O/S unsecured credit accommodations [3]/	501		501	1,734		1,734
Total O/S unsecured loans [4]/	38		38	227		227
Deferred tax assets	17,313		17,313	9,570		9,570
Other intangible assets	2,530		2,530	2,793		2,793
Defined benefit pension fund assets	55		55	84		84
Investments in equity [5]/	2,894		2,894	2,846		2,846
Significant minority investments [6]/	5,454		5,454	3,603		3,603
Other equity investments [7]/	1,975		1,975	3,953		3,953
TOTAL QUALIFYING CAPITAL	**247,071**	**13,592**	**260,663**	**238,063**	**14,079**	**252,142**
% to Total	**95%**	**5%**	**100%**	**94%**	**6%**	**100%**

[1]/ Minority interest in subsidiary banks, which are less than wholly-owned

[2]/ General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio

[3]/ Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)

[4]/ Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates

[5]/ Investments in equity of: (1) unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable), and (2) unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)

[6]/ Significant minority investments (10%-50% of voting stock) in: (1) banks and quasi-banks, and other financial allied undertakings after deducting related goodwill, if any (for both solo and consolidated bases), and (2) securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases)

[7]/ Other equity investments in non-financial allied undertakings and non-allied undertakings

Credit risk-weighted assets. Using the Basel regulatory standardized approach, our total credit risk-weighted assets as of December 31, 2020 amounted to Php 1.4 trillion, and are composed of on-book credit exposures after risk mitigation of Php 1.3 trillion, off-balance sheet risk-weighted assets of Php 13.2 billion, counterparty risk-weighted assets in the trading book of Php 4.2 billion, and risk-weighted securitization exposures of Php 354 million.

The table below provides a summary of the Bank's credit risk-weighted assets for 2020 and 2019:

Credit RWAs (Php Mn)	Amount	
	2020	2019
Total RWA (On-balance sheet) [0]/	1,341,522	1,387,187
Total RWA (Off-balance sheet) [0]/	13,230	15,036
Total counterparty RWA (banking book) [1]/	0	1,507
Total counterparty RWA (trading book)	4,158	3,465
Total risk-weighted credit linked notes (banking book)	0	128
Total risk-weighted securitization exposures	354	601
Total Gross RWA	**1,359,264**	**1,407,924**
Deductions: General loan loss provision [2]/	-3,500	-722
Total Credit RWAs	**1,355,765**	**1,407,202**

[0]/ Risk-weighted assets

[1]/ For derivatives and repo-style transactions

[2]/ In excess of the amount permitted to be included in upper Tier 2

The Bank's credit risk exposures on both on- and off-balance sheet assets after mitigation, broken down by risk buckets, for 2020 and 2019 are as follows:

Schedule A

December 31, 2020								
(Php Mn)	Risk Weights							
	Exposure after risk mitigation	0%	20%	50%	75%	100%	150%	Total CRWA [1]/
Cash on hand	37,021	37,021						37,021
Checks and other cash items	155		155					155
Due from BSP	223,998	223,998						223,998
Due from other banks	39,202		1,671	37,065		467		39,202
Available-for-sale (AFS)	129,597	100,357	1,783	5,645		21,812		129,597
Held-to-maturity (HTM)	244,653	148,276	5,572	59,167		31,638		244,653
UDSCL [2]/								0
Loans and receivables [3]/	1,389,832	20,850	119,092	184,956		1,048,170	16,765	1,389,832
Sales contract receivables								0
ROPA [4]/	2,102						2,102	2,102
Sub-total	2,066,561	530,502	128,274	286,832	0	1,102,086	18,867	2,066,561
Other assets	30,705					30,705		30,705
Total exposures, plus other assets	2,097,266	530,502	128,274	286,832	0	1,132,791	18,867	2,097,266
Total risk-weighted OBSA (no CRM) [0]/ [5]/		0	25,655	143,416	0	1,132,791	28,301	1,330,163
Total risk-weighted OBSA (with CRM) [5]/		0	1,564	1	0	9,795	0	11,360
Total RWA (On-Balance Sheet)		0	27,218	143,417	0	1,142,586	28,301	1,341,522

SUPPLEMENTAL SCHEDULES

December 31, 2019

(Php Mn)	Exposure after risk mitigation	Risk Weights						
		0%	20%	50%	75%	100%	150%	Total CRWA [1]/
Cash on hand	46,895	46,895						46,895
Checks and other cash items	361		361					361
Due from BSP	207,575	207,575						207,575
Due from other banks	21,635		1,993	19,134		508		21,635
Available-for-sale (AFS)	53,806	36,351	3,659	7,668		6,128		53,806
Held-to-maturity (HTM)	275,102	158,977	14,035	79,154		22,937		275,102
UDSCL [2]/								0
Loans and receivables [3]/	1,420,975	22,226	133,226	65,292	54,806	1,137,391	8,033	1,420,975
Sales contract receivables								0
ROPA [4]/	2,387						2,387	2,387
Sub-total	2,028,737	472,023	153,274	171,248	54,806	1,166,964	10,420	2,028,737
Other assets	27,626					27,626		27,626
Total exposures, plus other assets	2,056,363	472,023	153,274	171,248	54,806	1,194,590	10,420	2,056,363
Total risk-weighted OBSA (no CRM) [0]/ [5]/			30,655	85,624	41,105	1,194,590	15,630	1,367,604
Total risk-weighted OBSA (with CRM) [5]/			2,194	2		17,386		19,582
Total RWA (On-Balance Sheet)		0	32,849	85,627	41,105	1,211,976	15,630	1,387,187

[0]/ On-balance sheet assets
[1]/ Credit risk-weighted assets
[2]/ Unquoted debt securities classified as loans
[3]/ Inclusive of loans and receivables arising from repurchase agreements, certificate of assignment/participation with recourse, and securities lending and borrowing transactions
[4]/ Real and other properties acquired
[5]/ Not covered by, and covered by credit risk mitigants, respectively

Schedule B

December 31, 2020

RWA (Off-Balance Sheet) (Php Mn)	CEA [0]/	Risk Weights						
		0%	20%	50%	75%	100%	150%	Total CRWA [1]/
Direct credit substitutes [2]/	9,771	0	0	0	998	8,440	0	9,438
Transaction-related contingencies [3]/	1,721	0	1	0	256	1,372	0	1,630
Trade-related contingencies [4]/	2,241	0	5	0	183	1,974	0	2,161
Total RWA (Off-Balance Sheet)		0	6	0	1,438	11,786	0	13,230

December 31, 2019

RWA (Off-Balance Sheet) (Php Mn)	CEA [0]/	Risk Weights						
		0%	20%	50%	75%	100%	150%	Total CRWA [1]/
Direct credit substitutes [2]/	10,326	0	1	0	671	9,425	0	10,097
Transaction-related contingencies [3]/	2,527	0	10	0	96	2,350	0	2,455
Trade-related contingencies [4]/	2,585	0	23	0	34	2,427	0	2,484
Total RWA (Off-Balance Sheet)		0	34	0	801	14,202	0	15,036

[0]/ Credit equivalent amount
[1]/ Credit risk-weighted assets
[2]/ Such as general guarantees of indebtedness and acceptances
[3]/ Such as performance bonds, bid bonds, warrantees and stand-by LCs related to particular transactions
[4]/ Arising from movement of goods, such as documentary credits collateralized by the underlying shipments, and commitments with an original maturity of up to one year

Schedule C

December 31, 2020

Counterparty Assets Banking Book (Php Mn)	Net Amount [0]/	Risk Weights					
		0%	20%	50%	100%	150%	Total CRWA [1]/
Derivative exposures:							
Interest rate							
Exchange rate							
Equity contracts							
Credit derivatives							
Counterparty Exposures arising from Financial Assets [2]/							
Available-for-Sale							
Held-to-Maturity							
Total RWA (Off-Balance Sheet)		0	0	0	0	0	0

December 31, 2019

Counterparty Assets Banking Book (Php Mn)	Net Amount [0]/	Risk Weights					
		0%	20%	50%	100%	150%	Total CRWA [1]/
Derivative exposures:							
Interest rate							
Exchange rate							
Equity contracts							
Credit derivatives							
Counterparty Exposures arising from Financial Assets [2]/							
Available-for-Sale							
Held-to-Maturity	2,910			1,403	104		1,507
Total RWA (Off-Balance Sheet)		0	0	1,403	104	0	1,507

[0]/ Net Exposures After CRM (Uncovered Portion)
[1]/ Credit risk-weighted assets
[2]/ Sold/Lent under Repurchase Agreements, Certificates of Assignment/Participation with Recourse, Securities Lending and Borrowing Agreement (Repo-style Transactions)

SUPPLEMENTAL SCHEDULES

Schedule D

Counterparty Assets Trading Book (Php Mn)	December 31, 2020						
	Risk Weights						
	Net Amount 0/	0%	20%	50%	100%	150%	Total CRWA 1/
Derivative exposures:							
Interest rate contracts	3,996		26	1,912	44		1,982
Exchange rate contracts	3,565		3	1,388	774		2,165
Equity contracts	11				11		11
Credit derivatives							0
Total counterparty RWA of derivatives transactions		0	29	3,300	829	0	4,158

Counterparty Assets Trading Book (Php Mn)	December 31, 2019						
	Risk Weights						
	Net Amount 0/	0%	20%	50%	100%	150%	Total CRWA 1/
Derivative exposures:							
Interest rate contracts	2,764		11	1,307	95		1,413
Exchange rate contracts	3,313		11	1,229	802		2,041
Equity contracts	11				11		11
Credit derivatives							0
Total counterparty RWA of derivatives transactions		0	22	2,535	908	0	3,465

0/ Credit equivalent amount
1/ Credit risk-weighted assets

Market risk-weighted assets. In terms of capital usage following the Basel standardized approach, total market risk-weighted assets stood at Php 13.0 billion as of end-2020, of which interest rate exposures accounted for more than 65%, followed by foreign exchange exposures and equity exposures, respectively.

The table below presents the breakdown of the Bank's market risk-weighted assets for 2020 and 2019:

MARKET RWA (Php Mn)	AMOUNT	
	2020	2019
Using standardized approach:		
Interest rate exposures	8,614	6,552
Equity exposures	139	146
Foreign exchange exposures	4,459	17,318
Options		
TOTAL MARKET RWA 1/	**13,212**	**24,016**

1/ Risk-weighted assets

Operational risk-weighted assets. BPI currently uses the Basel regulatory basic indicator approach to quantify operational risk-weighted assets, by using the historical total annual gross income as the main measure of risk. In 2020, the Bank's total operational risk-weighted assets stood at Php158.8 billion.

The table below presents the Bank's operational risk-weighted assets for the years 2020 and 2019:

OPERATIONAL RWA (Php Mn)	AMOUNT	
	2020	2019
Gross income (a)	97,551	83,217
Capital requirement 1/	14,633	12,483
Average capital requirement (b) 2/	12,703	11,011
Adjusted capital charge (c) 3/	15,878	13,764
TOTAL OPERATIONAL RWA 4/	**158,783**	**137,638**

0/ Risk-weighted assets
1/ (a) multiplied by 15 percent
2/ Average of 15 percent of (a) for the past 3 years
3/ (b) multiplied by 125 percent
4/ (c) multiplied by 10

BOARD OF DIRECTORS

JAIME AUGUSTO ZOBEL DE AYALA
Chairman

FERNANDO ZOBEL DE AYALA
Vice Chairman

CEZAR P. CONSING
President & CEO

BOARD OF DIRECTORS

ROMEO L. BERNARDO
Director

IGNACIO R. BUNYE
Independent Director

RAMON R. DEL ROSARIO, JR.
Director

OCTAVIO VICTOR R. ESPIRITU
Independent Director

REBECCA G. FERNANDO
Director

JOSE TEODORO K. LIMCAOCO
Director

BOARD OF DIRECTORS

XAVIER P. LOINAZ
Independent Director
**Resigned October 2020*

AURELIO R. MONTINOLA III
Director

MERCEDITA S. NOLLEDO
Director

ANTONIO JOSE U. PERIQUET
Independent Director

CESAR V. PURISIMA
Independent Director

ELI M. REMOLONA, JR.
Independent Director

MARIA DOLORES B. YUVIENCO
Independent Director

ADVISORY COUNCIL

DELFIN L. LAZARO
Member, Advisory Council

CHIEF JUSTICE ARTEMIO V. PANGANIBAN
Member, Advisory Council

OSCAR S. REYES
Member, Advisory Council

EXECUTIVE MANAGEMENT

RAMON L. JOCSON
Executive Vice President
& Chief Operating Officer

MARIA THERESA D. MARCIAL
Executive Vice President
& Chief Finance Officer

MARIE JOSEPHINE M. OCAMPO
Executive Vice President
& Head, Mass Retail Products

JUAN CARLOS L. SYQUIA
Executive Vice President
& Head, Corporate Clients Segment

MARIA CRISTINA L. GO
President
BPI Family Savings Bank

EXECUTIVE MANAGEMENT

JOSEPH ANTHONY M. ALONSO
Senior Vice President
& Chief Credit Officer

MARITA SOCORRO D. GAYARES
Senior Vice President
& Chief Risk Officer

DINO R. GASMEN
Senior Vice President
& Treasurer

ANGELIE O. KING
Senior Vice President &
Head, Branch Sales and Services

ERIC M. LUCHANGCO
Senior Vice President &
Head, Business Banking

MARY CATHERINE P. SANTAMARIA
Senior Vice President &
Chief Marketing Officer

LEADERS' BIOGRAPHIES

BOARD OF DIRECTORS

JAIME AUGUSTO ZOBEL DE AYALA

Position: Chairman

Tenure

- Appointed Chairman March 2004 to Present
- Appointed Vice-Chairman 1995 to March 2004
- Appointed a Non-Executive Director March 1990

Board Committee membership

- Chairman of the Executive Committee
- Member of the Nomination Committee

Age: 62, Born 1959
Nationality: Filipino

Career

Mr. Zobel serves in Board of the following Philippine Stock Exchange (PSE) – listed companies, namely: Chairman and Chief Executive Officer of Ayala Corporation, Chairman of Globe Telecom, Inc. and Integrated Micro-Electronics, Inc., and Vice-Chairman of Ayala Land, Inc., Manila Water Company, Inc. and AC Energy Corporation (formerly AC Energy Philippines, Inc.). He is also the Chairman of Ayala Retirement Fund Holdings, Inc., AC Industrial Technology Holdings, Inc., AC Ventures Holdings Corp., AC Infrastructure Holdings Corporation and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Light Rail Manila Holdings, Inc. and AG Holdings Limited.

Relevant Skills and Experience

Chairman Jaime Zobel de Ayala has a distinguished track record as an international businessman. Having been the CEO of Ayala Corporation, a holding company established in 1834, with diverse business interests, a legacy of pioneering the future and aspirations for sustainable national development, Mr. Zobel has received may honors including: World Economic Forum Global Leader for Tomorrow in 1995; Emerging Markets CEO of the year in 1998 (sponsored by ING); Philippine TOYM (Ten Outstanding Young Men) Award in 1999 and Management Association of the Philippines Management Man of the Year Award in 2006. He has a deep understanding of international strategic, commercial and environmental issues, and gained extensive experience as a member of the board of directors of the companies in the Ayala Group in the areas of banking, telecommunications, property development, water distribution, health and education, renewable energy. During his time as Chair, he has been committed to developing and maintaining a strong dialogue with investors and other key stakeholders and has ensured that their views are considered during Board discussions and decision-making. He has also demonstrated a strong commitment to ensuring that the highest standards of corporate governance, ethics and compliance are maintained. Mr. Zobel has a strong commitment to national development, which is reflected in the thrust of the Ayala Group towards new capacity-building efforts in strategic sectors such as power and transport infrastructure. In 2007, he received the Harvard Business School Alumni Achievement Award, the school's highest recognition. He 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.

Outside Interests/Commitments

He is a member of various international and local business and socio-civic organizations, including the JP Morgan International Council, JP Morgan Asia Pacific Council and Mitsubishi Corporation International Advisory Council. He sits on the board of the Singapore Management University and on various advisory boards of Harvard University, including the Global Advisory Council, HBS Board of Dean's Advisors, and HBS Asia-Pacific Advisory Board, which he chairs. He is Chairman Emeritus of the Asia Business Council, a member of the Global Board of Adviser of the Council on Foreign Relations, and Co-Vice Chairman of the Makati Business Club, Chairman of Endeavor Philippines, and a board member of Eisenhower Fellowships.

Environmental, Social and Governance

In 2017, he was recognized as a United Nations Sustainable Development Goals Pioneer by the UN Global Compact for his work in sustainable business strategy and operations. The first recipient of the award from the Philippines, he was one of 10 individuals recognized for championing sustainability and the pursuit of the 17 SDGs in business. He was formerly a chairman of the World Wildlife Fund Philippine Advisory Council.

Education

He received his B.A. in Economics (with honors) from Harvard University in 1981 and completed his MBA at Harvard Business School in 1987.

Other Philippine Stock Exchange-Listed Companies

- Ayala Corporation - *Chairman and Chief Executive Officer*
- Globe Telecom, Inc. - *Chairman of the Board*
- Integrated Micro-Electronics, Inc. - *Chairman of the Board*
- Ayala Land, Inc. - *Vice-Chairman of the Board*
- Manila Water Company, Inc. - *Vice-Chairman of the Board*
- AC Energy Philippines, Inc. - *Vice-Chairman*

FERNANDO ZOBEL DE AYALA

Position: Vice-Chairman

Tenure

- Appointed Vice-Chairman April 2013 to Present
- Appointed a Non-Executive Director October 1994

Board Committee membership

- Vice-Chairman of the Executive Committee
- Chairman of the Personnel and Compensation Committee
- Member of the Nomination Committee

He is also a member of the Board of BPI Asset Management and Trust Corporation and Chairman of the Board of Trustees of BPI Foundation, Inc.

Age: 61, Born 1960
Nationality: Filipino

Career

Mr. Zobel has been a director of Ayala Corporation since May 1994 and President and Chief Operating Officer since April 2006.

Relevant Skills and Experience

Vice-Chairman Fernando Zobel de Ayala also has a distinguished track record as an international businessman as the President and COO of Ayala Corporation. He is Chairman of Ayala Land, Inc. and Manila Water Company, Inc., and AC Energy Corporation (formerly AC Energy Philippines, Inc.); Director of Globe Telecom, Inc. and Integrated Micro-Electronics, Inc.; and an Independent Director of Pilipinas Shell Petroleum Corp, all PSE-listed companies. He is Chairman of AC International Finance Ltd., Liontide Holdings, Inc., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., Automobile Central Enterprise, Inc., Alabang Commercial Corporation, Accendo Commercial Corp. and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc. He is the Vice-Chairman of AC Industrial Technology Holdings, Inc., ALI Eton Property Development Corporation, Ceci Realty Inc., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc., Berkshires Holdings, Inc. AKL Properties, Inc., AC Ventures Holdings Corp., and Bonifacio Art Foundation, Inc. He is a Director of LiveIt Investments, Ltd., AG Holdings Ltd., AC Infrastructure Holdings Corporation, Asiacom Philippines, Inc., Ayala Retirement Fund Holdings, Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Altaraza Development, Corporation and Manila Peninsula.

Outside Interests/Commitments

He is a Director of INSEAD Business School and Georgetown University; Member of the International Advisory Board of Tikehau Capital and of the Hispanic Society Museum & Library International Advisory Council; Vice Chairman of the Philippine-Singapore Business Council, member of the World Presidents' Organization and Chief Executives Organization.

Environmental, Social and Governance

He is Chairman of Habitat for Humanity International's Asia-Pacific Capital Campaign Steering Committee; Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, and the National Museum; and Member of the Tate Museum Asia-Pacific Acquisitions Committee, Asia Philanthropy Circle and The Metropolitan Museum International Council.

LEADERS' BIOGRAPHIES

Education
He holds a liberal arts degree from Harvard College and a CIM from INSEAD, France.

Other Philippine Stock Exchange-Listed Companies:
- Ayala Corporation - *Director and President and Chief Operating Officer*
- Globe Telecom, Inc. - *Co-Vice Chairman of the Board*
- Integrated Micro-Electronics, Inc. - *Director*
- Ayala Land, Inc. - *Chairman of the Board*
- Manila Water Company, Inc. - *Chairman of the Board*
- AC Energy Philippines, Inc. - *Chairman*
- Pilipinas Shell Petroleum Corp. - *Independent Director*

CEZAR P. CONSING
Position: Executive Director

Tenure
- Appointed Executive Director April 2013 to Present
- Appointed a Non-Executive Director February 1995 to January 2000
- Appointed Independent Director from August 2004 to January 2007 and from April 2010 to April 2013

He has served on BPI's board of directors for 19 years (1995 - 2000, 2004 - 2007, 2010 - present)

Board Committee membership
- Member of the Executive Committee

Management Committee membership
- Chairman of the Credit Committee
- Chairman of the Management Committee

Mr. Consing serves as chairman of BPI's thrift bank, investment bank, UK bank, property and casualty insurance, leasing, and rental subsidiaries, and vice chairman of its foundation; and is also a board director of BPI's life insurance, asset management and micro finance subsidiaries.

Age: 61, Born 1959
Nationality: Filipino

Career
Since 2013, he has been the President and Chief Executive Officer of Bank of the Philippine Islands (BPI) and a Senior Managing Director of Ayala Corporation, BPI's controlling shareholder.

Relevant Skills and Experience
Mr. Consing first worked for BPI, in corporate planning and corporate banking, from 1981-1985. He worked for J.P. Morgan & Co., based in Hong Kong and Singapore, from 1985-2004, rising to co-head or head the firm's investment banking business in Asia Pacific from 1997 - 2004, the last five years as President of J.P. Morgan Securities (Asia Pacific) Ltd. As a senior Managing Director of J.P. Morgan, Mr. Consing was a member of the firm's global investment banking management committee and its Asia Pacific management committee. Mr. Consing was a partner at The Rohatyn Group from 2004 - 2013, 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.

Outside Interests/Commitments
Outside his association with BPI and the Ayala Group, Mr. Consing serves on the boards of four private companies: The Rohatyn Group, Sqreem Technologies, FILGIFTS.com and Endeavor Philippines. He has also served as an independent board director of four publicly-listed companies: Jollibee Foods Corporation (2010 – present), CIMB Group Holdings (2006 – 2013), First Gen Corporation (2005 – 2013), and National Reinsurance Corporation (2014 – 2019), where he also served as Chairman (2018 – 2019). Mr. Consing has been a member of the Trilateral Commission, the global discussion group, since 2014.

Environmental, Social and Governance
He has also served on the board of the Hong Kong based Asian Youth Orchestra. He is a board director of the US-Philippines Society and the Philippine-American Educational Foundation, and a trustee of the College of St. Benilde and the Manila Golf Club Foundation.

Education
Mr. Consing received an A.B. Economics degree (Accelerated Program), magna cum laude, from De La Salle University, Manila, in 1979. Mr. Consing obtained an M.A. in Applied Economics from the University of Michigan, Ann Arbor, in 1980.

Other Philippine Stock Exchange-Listed Companies:
- Jollibee Foods Corporation – *Independent Director*

ROMEO L. BERNARDO
Position: Non-Executive Director

Tenure
- Appointed Non-Executive Director February 1998
- Appointed Independent Director from August 2002 to April 2019
- Appointed Non-Executive Director April 2019 to Present

Board Committee membership
- Member of the Audit Committee

Until 2019, he also served as Independent Director of BPI Capital Corporation, BPI/MS Insurance Corporation, BPI-Philam Life Assurance Corporation and BPI Asset Management and Trust Corporation.

Age: 66, Born 1954
Nationality: Filipino

Career
Mr. Bernardo is a former undersecretary of the Department of Finance and founded his consultancy practice, Lazaro Bernardo Tiu & Associates in 1997.

Relevant Skills and Experience
Mr. Bernardo has been advisor to various multilateral institutions such as the World Bank, International Finance Corporation, Asian Development Bank, and Japan International Cooperation Agency. He has also worked with government institutions and the National Economic Development Authority (NEDA) in policy matters involving pension reform, capital markets reform, and fiscal and debt management.

Outside Interests/Commitments
He is the Chairman of the Board of Directors of the ALFM. family of mutual funds. He also serves as a Board Director of the Management Association of the Philippines and the Finex Foundation.

Environmental, Social and Governance
Mr. Bernardo is a public advocate of good corporate and national governance and frequently writes on the subject in his capacity as Vice-Chairman and Co-Founder of the Foundation for Economic Freedom and the Philippine Partner of GlobalSource Partners, Inc., a worldwide network providing insights on emerging markets.

Education
Mr. Bernardo graduated with a B.S. Business Economics degree (magna cum laude), from the University of the Philippines in 1974. He obtained his M.A. Development Economics (Valedictorian) at Williams College, Williamstown, Massachusetts in 1977.

Other Philippine Stock Exchange-Listed Companies:
- Aboitiz Power Corporation – *Independent Director*
- RFM Corporation – *Independent Director*
- Globe Telecom, Inc. – *Non-Executive Director*

IGNACIO R. BUNYE*
Position: Independent Director

Tenure
- Appointed Independent Director April 2016 to Present

Board Committee membership
- Chairman of the Related Party Transaction Committee
- Chairman of the Corporate Governance Committee
- Member of the Personnel and Compensation Committee

He serves as an Independent Director of BPI Asset Management and Trust Corporation and BPI Direct BanKo, Inc., A Savings Bank, and BPI Capital Corporation.

Age: 76, Born 1945
Nationality: Filipino

Career
Mr. Bunye was a member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2008 to 2014. He previously held the positions of Presidential Political Adviser in 2008, Presidential Spokesperson

LEADERS' BIOGRAPHIES

in 2003, and Press Secretary in 2002. He began his government service in the City of Muntinlupa (then a municipality) as officer-in-charge and mayor between 1986 and 1998. 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.

Relevant Skills and Experience
In earlier years, he worked at the Filipinas Foundation Inc. as Assistant Corporate Secretary from 1970 to 1975, Assistant Vice President of BPI Investment Corporation from 1976 to 1983 and Assistant Vice President for Corporate Banking and Treasury at the Bank of the Philippine Islands from 1983 to 1985. He also held various executive positions at the Ayala Group of Companies, including Assistant Vice President of the Ayala Investment and Development Corporation. 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).

Outside Interests/Commitments
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).

Environmental, Social and Governance
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 (hospital).

Education
Mr. Bunye is a member of the Philippine Integrated Bar. 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.

Other Philippine Stock Exchange-Listed Companies:
None

RAMON R. DEL ROSARIO, JR.
Position: Non-Executive Director

Tenure
- Appointed Non-Executive Director April 2020

Board Committee membership
- Member of the Nomination Committee

Age: 76, Born 1944
Nationality: Filipino

Career
Mr. del Rosario is the President and Chief Executive Officer of Phinma Corporation; President and Chief Executive Officer of Philippine Investment Management, Inc.

Relevant Skills and Experience
He has managed Phinma since 2002 and brings with him a wealth of experience in leading a diversified conglomerate. He is Chairman of Araullo University, University of Iloilo, University of Pangasinan, Cagayan de Oro College, Southwestern University, St. Jude College, Republican College, Rizal College of Laguna, United Pulp and Paper Co., Inc., PHINMA Microtel Hotels, Inc. and PHINMA Hospitality, Inc. He is Vice-Chairman of Phinma Foundation, Inc. and Phinma Property Holdings Corp., director of Philcement Corp. and other PHINMA managed companies.

Outside Interests/Commitments
He is a former Chairman of the Ramon Magsaysay Award Foundation and Makati Business Club, where he remains a Trustee; and former Chairman of the National Museum of the Philippines.

Environmental, Social and Governance
He is Chairman of Philippine Business for Education; and Vice-Chairman of Caritas Manila and Philippine Business for Social Progress.

Education
Mr. del Rosario graduated from De La Salle College in 1967 with degrees in BSC-Accounting and AB Social Sciences (Magna Cum Laude) and from Harvard Business School in 1969 with a Master in Business Administration degree.

Other Philippine Stock Exchange-Listed Companies:
- Phinma Corporation - *Vice-Chairman and Executive Director*

OCTAVIO VICTOR R. ESPIRITU*
Position: Independent Director

Tenure
- Appointed Non-Executive Director April 2000
- Appointed Independent Director April 2003 to Present

Board Committee membership
- Chairman of the Risk Management Committee
- Member of the Audit Committee

Age: 77, Born 1943
Nationality: Filipino

Career
Mr. Espiritu was the former President and Chief Executive Officer from 1984 to April 2000 of Far East Bank & Trust Company (FEBTC), a commercial bank established in 1960 which became a publicly-listed company in 1991. In 2000, BPI acquired FEBTC.

Relevant Skills and Experience
Mr. Espiritu was the former Treasurer and President of FEBTC, which makes him an exemplary Chair for the BPI Risk Management Committee (RMC). His expertise in markets, credit as well as banking operations particularly during the 1997 Asian financial crisis and 2008 global financial crisis also serves as a solid grounding for his membership in BPI's Audit Committee. During his term as Chair of the RMC, BPI risk management has thrice been recognized by international bodies as Risk House of the Year for the Philippines in 2014, 2018 and 2020 and as Bank Risk Manager in 2020 by Asia Risk and as Asean Risk Champion at the Asean Risk Awards in 2019.

Outside Interests/Commitments
He is a member of the Board of Directors of Philippine Dealing System Holdings Corporation and Subsidiaries; Philippine Stratbase Consultancy, Inc., Pueblo de Oro Golf & Country Club, and The Country Club, Inc.

Environmental, Social and Governance
He became the President of the Bankers Association of the Philippines for three consecutive terms from March 25, 1991 to March 28, 1994. He was also the Chairman of the Board of Trustees of Ateneo de Manila University for 14 years.

Education
Mr. Espiritu 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.

Other Philippine Stock Exchange-Listed Companies:
- International Container Terminal Services, Inc. - *Independent Director*

REBECCA G. FERNANDO
Position: Non-Executive Director

Tenure
- Appointed Non-Executive Director from October 1995 to 2007
- Appointed Non-Executive Director from March 2009 to present

Board Committee membership
- Member of the Executive Committee
- Member of the Related Party Transaction Committee
- Member of the Retirement/Pension Committee

She is also a member of the Board of Directors of BPI Capital Corporation, BPI Family Savings Bank, Inc., and BPI Asset Management and Trust Corporation.

Age: 72, Born 1948
Nationality: Filipino

Career
Ms. Fernando is the Financial Consultant and Member of the Finance Boards of The Roman Catholic Archbishop of Manila and of The Roman Catholic Archbishop of Antipolo.

Relevant Skills and Experience
She is a Certified Public Accountant.

Education
She graduated with a BSBA degree major in accounting from the University of the Philippines in 1970. She took further studies for an MBA at the University of the Philippines and attended an Executive Program on Transnational Business at the Pacific Asian Management Institute at the University of Hawaii.

Other Philippine Stock Exchange-Listed Companies:
None

LEADERS' BIOGRAPHIES

JOSE TEODORO K. LIMCAOCO
Position: Non-Executive Director

Tenure
- Appointed Non-Executive Director February 2019 to Present

Board Committee membership
- Member of the Executive Committee

Age: 59, Born 1962
Nationality: Filipino

Career
He is a Senior Managing Director and the Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer of Ayala Corporation, a PSE-listed company and Finance Group Head of the Ayala Group. He is a Chairman of AC Energy International, Inc. (formerly Presage Corporation). He is the President and CEO of AC Ventures Holding Corp., AYC Finance Limited, AC International Finance Limited. He is a Director of Ayala Hotels, Inc., AC Energy and Infrastructure Corporation (formerly AC Energy, Inc.), Ayala Healthcare Holdings, Inc., AC Infrastructure Holdings Corporation, Ayala Aviation Corporation, Asiacom Philippines, Inc., Ayala Group Legal, Michigan Holdings, Inc., AC Industrial Technology Holdings, Inc., A.C.S.T Business Holdings, Inc., Bestfull Holdings Limited, Purefoods International Limited, AYC Holdings Limited, AG Holdings Limited, Fine State Group Limited, AG Region Pte. Ltd., Ayala International Holdings Limited, Ayala International Pte. Ltd., Strong Group Limited, Total Jade Group Limited, VIP Infrastructure Holdings Pte. Ltd., AI North America, Inc.. He is the Vice Chairman of Lagdigan Land Corporation, President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc.

Relevant Skills and Experience
Previously, he served as President of BPI Family Savings Bank from 2010-2015 and President of BPI Capital Corporation from 2007-2010. He was also Officer-in-Charge for Ayala Life Assurance, Inc. in 2009 and Director and Chairman of Ayala Plans, Inc. in 2010-2011.

Mr. Limcaoco joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. He 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.

Outside Interests/Commitments
He is an Independent Director of SSI Group, Inc., and Zapfam Inc. He is a director of LICA Management Inc. and Just For Kids, Inc.

Environmental, Social and Governance
He is Chairman of Darong Agricultural and Development Corporation.

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

Other Philippine Stock Exchange-Listed Companies:
- Globe Telecom, Inc. - *Non-Executive Director*
- Integrated Micro-Electronics, Inc. - *Non-Executive Director*
- SSI Group, Inc. - *Independent Director*

XAVIER P. LOINAZ*
Position: Independent Director

Tenure
- Appointed Executive Director from March 1982 to March 2004
- Appointed Non-Executive Director from January 2005 to March 2009
- Appointed Independent Director from March 2009 to October 2020

Board Committee membership
- Chairman of the Audit Committee**
- Member of the Nomination Committee**

He is also an Independent Director of BPI Family Savings Bank, Inc. and BPI/MS Insurance Corporation.

Age: 77, Born 1943
Nationality: Filipino

Career
He held the position of President and Chief Executive Officer of the Bank for 22 years from 1982 to 2004.

Relevant Skills and Experience
Under his presidency of the Bank, BPI obtained its universal banking license. It was also during his tenure that BPI consummated the biggest merger in the banking industry when it acquired the former Far East Bank & Trust Company (FEBTC). This merger strengthened its foothold in the asset management & trust services, enhanced its penetration of the middle market, as well as further reinforced its dominance in branch banking. In 2000, it also formalized its acquisition of three major insurance companies in the life, non-life and reinsurance fields. This move integrated the insurance product line into the bank's basket of financial products for its customers. During his presidency, the Bank also established in February 2000 BPI Direct Savings Bank, a savings bank focused on providing internet and mobile banking services to its customers, which was to become the forerunner of BPI Direct BanKo. He was President of the Bankers Association of the Philippines for two terms from 1989 to 1991.

Outside Interests/Commitments
He is the Chairman and President of XPL Manitou Properties, Inc. and Vice-Chairman of XPL MTJL Properties Inc. He is a member of the Board of Directors/Trustees of DAOI Condominium Corporation and E. Zobel Foundation.

Environmental, Social and Governance
Chairman of the Board of Alay Kapwa Kilusan Pangkalusugan.

Education
He graduated with an A.B. Economics degree from the Ateneo de Manila University in 1963, and obtained his MBA Finance at the Wharton School of Pennsylvania in 1965.

Other Philippine Stock Exchange-Listed Companies:
- Ayala Corporation - *Independent Director (resigned effective December 3, 2020)*

AURELIO R. MONTINOLA III
Position: Non-Executive Director

Tenure
- Appointed Non-Executive Director from January 2004 to December 2004
- Appointed Executive Director from January 2005 to April 2013
- Appointed Non-Executive Director from April 2013 to Present

Board Committee membership
- Member of the Executive Committee
- Member of the Risk Management Committee
- Member of the Personnel and Compensation Committee

Among the several BPI subsidiaries and affiliates, Mr. Montinola serves as member of the Board of Directors of the following: BPI Capital Corporation, BPI Direct BanKo, Inc., A Savings Bank, BPI Family Savings Bank, Inc., and BPI/MS Insurance Corporation.

Age: 69, Born 1951
Nationality: Filipino

Career
Mr. Montinola served as President and Chief Executive Officer of BPI for eight years from 2005 to 2013, and BPI Family Savings Bank, Inc. for twelve years from 1992 to 2004.

Relevant Skills and Experience
Significant awards received by Mr. Montinola include Management Man of the Year 2012 (Management Association of the Philippines), Asian Banker Leadership Award (twice), and Legion d'Honneur (Chevalier) from the French Government.

Outside Interests/Commitments
Mr. Montinola is also the Chairman of the Roosevelt Colleges, Inc., East Asia Computer Center Inc., and Amon Trading Corporation. He is also President of the Management Association of the Philippines.

Environmental, Social and Governance
Mr. Montinola is a member of the Board of Trustees of BPI Foundation Inc. and the Kabang Kalikasan ng Pilipinas Foundation, Inc. He also sits as Vice-chairman of Philippine Business for Education Inc.

LEADERS' BIOGRAPHIES

Education
He obtained his Bachelor of Science in Management Engineering degree at the Ateneo de Manila University in 1973 and his MBA from the Harvard Business School in 1977.

Other Philippine Stock Exchange-Listed Companies:
- Far Eastern University, Incorporated - *Chairman of the Board*
- Roxas and Company, Inc. – *Independent Director*

MERCEDITA S. NOLLEDO
Position: Non-Executive Director

Tenure
- Appointed Non-Executive Director November 1991 to Present

Board Committee membership
- Chairman of the Retirement/Pension Committee
- Member of the Corporate Governance Committee

Ms. Nolledo is also a Director in the following BPI subsidiaries and affiliates: BPI Investment Management, Inc., where she sits as Chairman; and BPI Family Savings Bank, Inc., where she is also a member of its Corporate Governance Committee.

Age: 80, Born 1941
Nationality: Filipino

Career
Ms. Nolledo was a Senior Managing Director and also served as Corporate Secretary of Ayala Corporation and Senior Counsel of the Ayala Group of Companies.

Relevant Skills and Experience
She was a member of the Board of Directors of Ayala Corporation from 2004 until September 2010. She is a CPA-Lawyer.

Outside Interests/Commitments
She serves as Director of the following companies: Ayala Land Commercial REIT, Inc., Michigan Holdings, Inc., and Anvaya Cove Beach and Nature Club, Inc. She is Vice-President of Sonoma Properties, Inc.

Environmental, Social and Governance
She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc.

Education
Ms. Nolledo graduated with the degree of Bachelor of Science in Business Administration major in Accounting (magna cum laude) from the University of the Philippines in 1960 and placed second at the Certified Public Accountant Licensure Board Examination administered in the same year. In 1965, she obtained her Bachelor of Laws degree (cum laude) also from the University of the Philippines where she also placed second at the Bar Examination held in the same year.

Other Philippine Stock Exchange-Listed Companies:
- Xurpas, Inc. – *Non-Executive Director*
- D&L Industries, Inc. – *Independent Director*

ANTONIO JOSE U. PERIQUET*
Position: Independent Director

Tenure
- Appointed Independent Director April 2012 to Present

Board Committee membership
- Member of the Executive Committee
- Chairman of Nomination Committee
- Member of the Personnel and Compensation Committee
- Member of the Retirement/Pension Committee

Mr. Periquet is the Chairman/Independent Director of BPI Asset Management and Trust Corporation. He serves as an Independent Director of BPI Capital Corporation and BPI Family Savings Bank, Inc.

Age: 60, Born 1961
Nationality: Filipino

Career
Mr. Periquet spent the early part of his career doing equity research, sales and trading for several firms in London, eventually joining Deutsche Bank as head of the Asian Equities desk. In 2000, he established Deutsche Regis Partners, Inc., a joint-venture with Deutsche Bank, which became the largest stockbroker in the Philippines were he as Chairman, Managing Director & Head-Research.

Relevant Skills and Experience
He also, at one time, served on three government boards: the Development Bank of the Philippines, the DBP Leasing Corp., and the Metro Rail Transit Corp.

Outside Interests/Commitments
He is also an Independent Director of Albizia ASEAN Tenggara Fund, Chairman of the Campden Hill Group, Inc. and Pacific Main Holdings.

Environmental, Social and Governance
He is a trustee of Lyceum University of the Philippines, a member of the finance committees of the Ateneo de Manila University and the Philippine Jesuit Provincial and a member of the Dean's Global Advisory Council at the University of Virginia's Darden School of Business.

Education
Mr. Periquet graduated from the Ateneo de Manila University with an AB Economics degree in 1982. He also holds a Master of Science degree in Economics from Oxford University and an MBA from the University of Virginia.

Other Philippine Stock Exchange-Listed Companies:
- ABS-CBN Corporation – *Independent Director*
- Ayala Corporation – *Independent Director*
- DMCI Holdings, Inc. – *Independent Director*
- Semirara Mining Corporation – *Independent Director*
- Max's Group of Companies – *Independent Director*
- Philippine Seven Corporation – *Independent Director*

CESAR V. PURISIMA*
Position: Independent Director

Tenure
- Elected as Independent Director January 2021 to Present

Board Committee membership
None

Age: 61, Born 1960
Nationality: Filipino

Career
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 Bangko Sentral ng Pilipinas (BSP), Governor of the Asian Development Bank and World Bank for the Philippines, Alternate Governor of the International Monetary Fund for the Philippines, and Chairman of 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 SGC & Co.

Relevant Skills and Experience
Mr. Purisima is a certified public accountant and has extensive experience in public accounting both in the Philippines and abroad. He was conferred the Chevalier dans l'Ordre national de la Legion d'Honneur (Knight of the National Order of the Legion of Honour) by the President of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the President of the Philippines in 2016, and the Chevalier de l'Ordre national du Merite (Knight of the National Order of Merit) by the President of the French Republic in 2001.

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

Environmental, Social and Governance
He is a member of Singapore Management University's International Advisory Council in the Philippines. He is also a member of the board of trustees of the World Wildlife Fund- Philippines, De La Salle University, and the International School of Manila. He is an Asia Fellow at the Milken Institute, a global, non-profit, on-partisan think tank.

LEADERS' BIOGRAPHIES

Education
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.

Other Philippine Stock Exchange-Listed Companies:
- Ayala Land, Inc. – *Independent Director*
- Universal Robina Corporation – *Independent Director*
- Jollibee Foods Corporation – *Independent Director*

ELI M. REMOLONA, JR.*
Position: Independent Director

Tenure
- Appointed Independent Director April 2019 to Present

Board Committee membership
- Member of the Risk Management Committee

Mr. Remolona is also an Independent Director of BPI/MS Corporation since December 2020.

Age: 68, Born 1952
Nationality: Filipino

Career
He is currently a Professor of Finance and Director of Central Banking at the Asia School of Business in Kuala Lumpur. The school is a collaborative effort with the MIT Sloan School of Management. Until October 2018, Mr. Remolona was the Chief Representative for Asia and the Pacific of the BIS. He also served as Secretary of the Asian Consultative Council, which consists of the Governors of the 12 leading central banks in the region. Until 2008, he was Head of Economics for Asia and the Pacific of the BIS.

Relevant Skills and Experience
Mr. Remolona joined the BIS in 1999 and for 6 years served as Head of Financial Markets in Basel and Editor of the BIS Quarterly Review. Before that, he was Research Officer of the Federal Reserve Bank of New York. He has extensive policy experience in financial markets, sovereign risk, international finance, central banking, and monetary policy.

Outside Interests/Commitments
He is also currently Associate Editor of the International Journal of Central Banking.

Environmental, Social and Governance
He sits on the Council of Advisers of the Academy of Finance in Hong Kong and is Research Associate of the Centre for Applied Macroeconomic Analysis (CAMA) at the Crawford School of the Australian National University. He also taught at Columbia University, New York University, and the University of the Philippines.

Education
Mr. Remolona obtained his Bachelor's Degree in Economics from Ateneo de Manila University and has a Ph.D. in Economics from Stanford University.

Other Philippine Stock Exchange-Listed Companies:
None

MARIA DOLORES B. YUVIENCO*
Position: Independent Director

Tenure
- Appointed Independent Director April 2016 to Present
- Appointed Non-Executive Director April 2014

Board Committee membership
- Chairman of the Audit Committee***
- Member of the Corporate Governance Committee and Chairman from April 2016 until October 2020
- Member of the Related Party Transactions Committee
- Member of the Personnel and Compensation Committee

Ms. Yuvienco is an Independent Director of BPI Asset Management and Trust Corporation. She is also Chairman of the AMTC Corporate Governance Committee and member of the AMTC Risk Oversight Committee.

Age: 73, Born 1947
Nationality: Filipino

Career
Ms. Yuvienco worked for 41 years with the Bangko Sentral ng Pilipinas (formerly known as Central Bank of the Philippines) under various capacities until her compulsory retirement in March 2013. She held the post of Assistant Governor in the Supervision and Examination Sector when she retired.

Relevant Skills and Experience
Her exposure at the BSP was largely in bank supervision where her responsibilities ranged from the crafting of policies/regulations on banking supervision to onsite examination and off-site monitoring of BSP-supervised entities. As a ranking official in the BSP, she had opportunities to meet and share ideas with her counterparts in other central banks in the region. She is a Certified Public Accountant and a Career Executive Service Professional.

Outside Interests/Commitments
In April 2018, Ms. Yuvienco was elected as Independent Director of First Consolidated Bank (Thrift Bank), and was chosen to chair the Nomination and Governance Committee.

Environmental, Social and Governance
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.

Education
Ms. Yuvienco graduated from St. Theresa's College, Quezon City in 1967, with a degree of Bachelor of Science in Commerce, major in Accounting. She took up post graduate studies at the University of the Philippines Diliman.

Other Philippine Stock Exchange-Listed Companies:
None

****Appointed in October 2020*
**Independent Director as defined in Sec. 38 of the Securities Regulation Code and BSP Circular Nos. 296 and 749.*

Per Article V of the Amended By-Laws of the Bank, all nominations for election of Directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary, together with the written acceptance of the nominee, not later than the date prescribed by law, rules and regulations or at such earlier or later date as the Board of Directors may fix. No nominee shall qualify to be elected as Director unless this requirement is complied with. In accordance with this, the nominations are subsequently processed and evaluated by the Nomination Committee of the Bank in a meeting called for that purpose in compliance with SRC Rule 38.

ANGELA PILAR B. MARAMAG
Position: Corporate Secretary

Filipino, 51 years old, was appointed Corporate Secretary on April 8, 2015. She is also the Corporate Secretary of BPI subsidiaries and affiliates, including BPI Family Savings Bank, BPI Capital Corporation, BPI Asset Management and Trust Corporation, BPI/MS Insurance Corporation, BPI Direct BanKo, Inc., and BPI Foundation. Prior to joining BPI, Ms. Maramag was Senior Counsel at the Bank for International Settlements (BIS) in Basel, Switzerland, from 2001 to 2008, and Head of Finance and Administration at the BIS Representative Office in Hong Kong from 2008 to 2011. She was a Legal Officer at the United Nations Compensation Commission in Geneva, Switzerland, from 1998 to 2001. Ms. Maramag was admitted to the Philippine Bar (1995) and New York State Bar (1998). She received her Master in Laws (LL.M) from the University of Chicago in 1997, Juris Doctor (J.D) in 1994 from Ateneo de Manila School of Law, and AB Honors Program in Economics in 1990 from Ateneo de Manila University.

LEADERS' BIOGRAPHIES

SENIOR MANAGEMENT

RAMON L. JOCSON
Executive Vice President & Chief Operating Officer

Filipino, 61 years old, Mr. Jocson is currently an EVP and the COO of BPI. He heads BPI's Enterprise Services which serves as the backbone of the organization that includes Human Resources, Centralized Operations, Information Systems, Digital Channels, Business Transformation & Data Science, Facilities Services, Corporate Affairs and Communications, and Client Experience Center. He chairs the Bank's IT Steering Committee and is a member of the Bank's Management Committee.

He is also currently the Vice Chairman of the CyberSecurity Committee of the Bankers Association of the Philippines and a Member of Yoma Bank's (Myanmar) Technology Advisory Committee.

Mr. Jocson began his career as a Systems Analyst with IBM Manila in 1982, subsequently took on more responsibility as he assumed different positions, including Information Systems Manager, Systems Engineering Manager and Manager of Quality. In 1995, he was assigned in Singapore where he led IBM's Applications/Systems Integration business in ASEAN and South Asia. In 1996, he was appointed as Managing Director for IBM Philippines. In 2000, he took on a new assignment as Vice President and GM of IBM Global Services, ASEAN and South Asia. He was then appointed as Vice President and GM of IBM Global Services for Industrial Sector for Asia Pacific in 2005. Two years later, in 2007, he took on the role of Vice President and GM of Application Services for the Growth Market Unit, where he led IBM's Applications Management and Application Integration Services in Asia Pacific, Central and Eastern Europe, Latin America and Middle East/Africa. He was then appointed as VP & GM of Integrated Technology Services for Asia Pacific in 2010. In 2013, he was appointed as VP & GM of IBM Global Services for Central and Eastern Europe based in Prague, Czech Republic. In this capacity, he was responsible for IBM's services portfolio in Russia/CIS, Turkey, Poland & Baltics, Central Europe and South East Europe. From January 2015 until he joined BPI in September 2015, he was in Singapore as IBM Asia Pacific VP & GM for Strategic Outsourcing which catered to major regional banks, telcos and airlines as major clients.

He was also a member of IBM's Growth & Transformation Team, which is composed of the top senior leaders in IBM which worked directly with the Chairman on key/strategic initiatives. He has served on several external boards, including the Economic Development Board of Singapore, Philamlife and iPeople.

Mr. Jocson graduated with a B.S. Industrial Engineering degree from the University of the Philippines Diliman in 1982 and obtained his MBA from the Ateneo Graduate School of Business.

MARIA THERESA MARCIAL JAVIER
Executive Vice President & Chief Finance Officer

Filipino, 50 years old, Ms. Marcial, is the Chief Finance Officer, Chief Sustainability Officer and Head of Strategy and Finance of BPI. She is responsible for strategic planning and sustainability, central accounting, financial control, balance sheet management and analytics, corporate legal affairs, strategic management and sales of bank assets, and investor relations.

She is a member of BPI's Management Committee, Asset and Liability Committee, Credit Committee, and chairs the Finance Committee. She is a board director of BPI MS Insurance Corporation, BPI Europe Plc, BPI Asset Management and Trust Corporation, AF Payments Inc, and BPI Global Payments Asia Pacific Philippines Inc. She is a fellow of Foundation for Economic Freedom, trustee and treasurer of World Wide Fund for Nature (WWF) Philippines, treasurer of BPI Foundation, and board director of Philippines Inter-Island Sailing Federation.

She joined BPI in 1995 through the Bank Officers Development Program. She has 26 years of banking experience with expertise in strategic planning and finance, corporate banking, debt and equity capital markets, portfolio management, trust, and retail wealth management. She previously served on the BPI Trust Committee and the board of BPI Investment Management Inc. Prior to her banking career, she worked for the National Economic and Development Authority, and the Agricultural Policy Credit Council.

She previously served as president of the Fund Managers Association of the Philippines, president of the Trust Officers Association of the Philippines, vice-chairman of Capital Markets Development Committee of FINEX, alternate governor of the Market Governance Board of Philippine Dealing and Exchange Corporation, and member of the National Advisory Council of WWF Philippines. She was recognized as one of Top 25 Most Influential Women in Asset Management in Asia by Asian Investor and Most Outstanding Alumnus of the University of the Philippines Los Baños.

Ms. Marcial obtained her Master's Degree in Economics in 1995 from the University of the Philippines Diliman and BS Economics, cum laude, from the University of the Philippines Los Baños in 1990. She completed the Advanced Management Program at Harvard Business School in 2010 and the CFA Institute Investment Management Workshop also at Harvard Business School in 2006.

DINO R. GASMEN
Senior Vice President & Treasurer

Filipino, 54 years old, Mr. Gasmen serves as Treasurer and Head of the Bank's Global Markets Group. He is responsible for optimizing the Bank's resources through management of interest rate and liquidity gaps, as well as its fixed income and currency market-making, trading, and distribution capabilities. Mr. Gasmen is Chairman of the Bank's Asset and Liability Committee and is a member of the Management Committee.

Prior to joining BPI in 2014, Mr. Gasmen spent 17 years at HSBC Global Markets covering various roles, such as heading the Rates Trading Business in the Philippines, Indonesia, Vietnam, and Sri Lanka, as well as Balance Sheet Management for HSBC Philippines. He also worked in HSBC Bank PLC in the United Kingdom as Asian Product Manager where he helped local sales teams in the distribution of Asian markets products.

In BPI, Mr. Gasmen has been at the helm of various divisions in Global Markets. He was the Head of Asset & Liability Management (ALM) in 2014. In this role, he was responsible for ensuring multicurrency liquidity and optimizing portfolio investments. Mr. Gasmen also served as the Head of the Treasury Trading Division from 2015 until 2018, leading the Foreign Exchange (FX) Trading, Foreign and Local Fixed Income Trading, and Derivatives Trading Desks. In 2018, he reassumed the role of Head of ALM until his assignment as the Bank's Treasurer in 2020.

Mr. Gasmen served as the President of the Money Market Association of the Philippines (MART) in 2006, and ACI Financial Markets Association Philippines in 2018.

He holds a B.S. in Electrical Engineering and a Master's Degree in Business Administration from the University of the Philippines Diliman.

MARIE JOSEPHINE M. OCAMPO
Executive Vice President
Head, Mass Retail Products

Filipino, 58 years old, Ms. Ocampo is the Head of the Mass Retail Segment of the Bank, 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 BPI Direct BanKo, the Bank's micro-finance subsidiary. She is a member of the Board of BPI Payments Holdings Inc., Global Payments Asia-Pacific Philippines, Inc., AF Payments Inc., Zalora Philippines, and CARD MRI Rizal Bank Inc.

Ms. Ocampo started her career in BPI as Vice President for Marketing and Sales of BPI Credit Cards in 1996. She soon took the position of President for BPI Card Corporation, the Bank's credit card subsidiary where she won the prestigious Agora Award-2000 Marketing Company of the Year. In 2005, Ms. Ocampo was then cross-posted to BPI's Consumer Banking Group as Head of Kiosk Banking and Head of Personal Banking. She also became the Chief Marketing Officer of BPI from 2008 until 2014 where she was responsible for retooling the Bank's data warehouse and customer analytics capabilities into its distinct competitive advantage.

LEADERS' BIOGRAPHIES

Ms. Ocampo also developed the Bank's CRM initiatives on top of driving the Bank's advertising and digital initiatives across the breadth of products, channels and services. In 2015, she became the Payments and Remittance group head, and was tasked to grow fee revenue via expanding existing businesses and developing new payment platforms.

Prior to joining BPI, Ms. Ocampo gained 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.

JUAN CARLOS L. SYQUIA
Executive Vice President
Head, Corporate Clients Segment

Filipino, 54 years old, Head of Corporate Banking. Mr. Syquia's responsibilities include managing the Corporate Banking Relationship Management, Corporate Credit Products, Transaction Services (Cash Management and Trade), Remittance and Fund Transfer, and Investment Banking and Equity Brokerage. He is also a director of BPI's joint venture company, Global Payments Asia-Pacific Philippines Incorporated. Prior to taking on this role in 2018, he was the President of BPI Capital Corporation and Co-Head for Investment Banking for the Bank. He has over 30 years of work experience in the financial services industry.

Prior to joining BPI Capital Corporation in June 2016, Mr. Syquia was the Country Head of Corporate Clients for Standard Chartered Bank in the Philippines serving in that role from late 2011. In that role, he was principally responsible for wholesale banking 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 the Head of Corporate Finance at ING Bank Manila. In 2007, he moved to a regional role as Head of Strategy and Business Development at ING Asia Pacific Ltd., the regional hub of ING Group's life insurance and asset management practice. 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 Cebu where he formed part of a two-man team that established the Corporate Banking Division desk in Cebu. He carries an MBA Degree (Honors) with a concentration in Finance and International Business from Fordham University, NY as well as an AB degree in Management Economics from the Ateneo de Manila University.

JOSEPH ANTHONY M. ALONSO
Senior Vice President & Chief Credit Officer

Filipino, 55 years old, Mr. Alonso is currently the Chief Credit Officer of BPI since January 2017. As Chief Credit Officer, he is responsible for managing the aggregate risk in the BPI Group's loan portfolio - ensuring that portfolio quality and profitability is maintained across the lending units within the BPI Group through establishment of procedures and guidelines that facilitate effective decision making based on overall risk appetite and compliance with internal policies and regulatory requirements. He also serves as Vice Chairman of the Bank's Credit Committee and a member of the Fraud Committee. He was a Board member of BPI Century Tokyo Lease & Finance Corporation and BPI Century Tokyo Rental Corporation until July 2019.

Mr. Alonso was involved with Corporate Relationship Management for most of his 22-year career in BPI, having started as a Market Head in the Asian Division and eventually becoming Division Head of the Asian Corporates/PEZA Division. The Division also included the Special Projects Team under the Financial Institutions Group, BPI Leasing Corporation, and BPI Rental Corporation prior to its merger with Tokyo Century Corporation of Japan.

Mr. Alonso started his banking career with The Mitsubishi Bank, Ltd. in Tokyo in 1990 as a management trainee, holding positions in branch, treasury and international operations, and SME and multinational relationship management. Prior to joining BPI in January 1997, Mr. Alonso headed the Japan Desk in the World Corporation Group of Citibank, N.A. Manila Branch from 1994. Mr. Alonso obtained his BS Business Administration degree at the Faculty of Economics of Oita University in Japan in 1990 under a scholarship grant from the Japan Ministry of Education. He was also a scholar of the National Science and Technology Authority while attending the College of Engineering at the University of the Philippines Diliman.

ANGELIE O. KING
Senior Vice President
Head, Branch Sales & Services

Filipino, 59 years old, Ms. King is the Head of Sales and Service Channels of BPI. She oversees the entire branch infrastructure, ensuring optimal use of assets and resources. She is responsible for the strategic decisions related to the operations of all branches, including rationalization of the branch network based on strategic data analytics.

She also oversees the enhancement of branch systems, development of branch personnel through sales and service training and engagement programs, operational efficiency and regulatory compliance through regular review and updating of branch service policies and procedures, and strengthening of the branch sales force to enable the bank to offer the appropriate solutions for client requirements and aspirations. She joined the Bank through the Citytrust merger in 1996.

Ms. King has 36 solid years of sales and branch service management experience. She began her career in Citytrust as a contractual specialist hire Field Sales Account Manager. Successfully introducing innovation and exceeding performance benchmarks, she was promoted through the ranks holding different positions to lead and take on bigger areas of responsibility. After the merger in 1996, Ms. King continued to take on expanded areas of responsibility and more senior roles in the organization. She currently leads close to 10,000 employees across the Bank.

She pioneered the WOW Program in BPI to highlight the value of customer service. She also continually thinks of programs to improve overall customer experience. She is a current member of the Management Committee. Over the years, she served as BFSB Director (2015-2017), Chairman of BPI Remittance Centre (HK), Ltd. (2016-2018), and chaired the Committees on the Unibank WOW Program and the Unibank Excellence Retail Awards. She is an advocate of social responsibility and has spearheaded fundraising programs to support public schools and orphanages, cleft palate surgery for children, and rehabilitation programs for individuals and families affected by Typhoon Yolanda, the Marawi siege, and Taal Volcano eruption.

Ms. King obtained her BS Commerce major in Management of Financial Institutions from De La Salle University in 1983. She also completed the Ayala Leadership Acceleration Program in 2011.

MARY CATHERINE ELIZABETH P. SANTAMARIA
Senior Vice President & Chief Marketing Officer

Filipino,54 years old, Ms. Santamaria is the Chief Marketing Officer of BPI. She is responsible for Retail Marketing, CRM and Loyalty, Institutional Brand Marketing and Digital, Enterprise Data Management and Project Program Management & Systems Development Support. She joined the Bank in 2011 and is currently a member of the Management Committee.

LEADERS' BIOGRAPHIES

With over 30 years of marketing experience, Ms. Santamaria began her career in the advertising industry with Adformatix, where she was awarded as rookie of the year. Throughout her career she has worked with leading companies such as Philippine Airlines, Monterey, and Wyeth-Suaco. Most notable among these was her stint at Kraft Foods Philippines where she held different marketing positions and was appointed Marketing Director with added responsibility for Southeast Asia's consumer insighting projects with major interfaces across Sales, Operations, Research & Development, Finance, Supply Chain and the region office. While here, she received the prestigious Asia Pacific's President Award and Kraft Foods International's President Award, Best Asia Pacific Advertising in Cheese, and achieved "Super Ads" across campaigns developed. She was then appointed to Kraft Foods International headquarters as Director of Business Development where she identified business opportunities for specific market categories across Central Eastern Europe, Brazil, Australia, China and Saudi Arabia. She was also subsequently appointed as General Manager for Kraft Foods Jaya, leading Singapore, Malaysia and Brunei. Prior to joining BPI, Ms. Santamaria was Head of Touch Mobile at Globe Telecom which she successfully repositioned. She was also appointed as Segment Head for the Mobile Business and led the Globe rebranding. She also defined a more effective spending, put together a Marketing Leadership Academy and reformed marketing processes for the telecom leader.

At BPI, her team was awarded the Best Innovation Project - Employee category in 2016, and continues to be recognized in 2018 and 2019. She also developed the Brand Excellence and Training Program in 2019 for all Marketing and leads the rebranding of BPI.

She served as Vice President for the Bank Marketing Association of the Philippines (BMAP) in 2018. Ms. Santamaria obtained her Bachelor of Science in Business Administration, cum laude, from the University of the Philippines Diliman in 1988.

She also has a Certificate of Strategic Business Economics, with distinction, and Master Business Economics from the University of Asia and the Pacific in 2001. She also took a course from the Chicago Business School in February 2006 and completed a Telecoms Marketing Mini MBA from Informa Telecoms and Media in London in April 2006.

ERIC ROBERTO M. LUCHANGCO
Senior Vice President
Head, Business Banking

Filipino, 50 years old, Mr. Luchangco was appointed to his current position as Head of Business Banking for BPI in June 2019. He is overseeing the expansion of the BPI's presence within the SME space, which has been identified as a growth area for the Bank. Business Banking has the vision of becoming the partner of choice for SMEs in the Philippines, and looks to achieve this by customizing their product offerings and processes to the needs of the customers.

He joined the BPI Group in 2013, starting with BPI Capital, BPI's investment banking unit, as Head of Debt Capital Markets. He subsequently expanded his responsibilities to concurrently become Head of Execution and Treasurer of BPI Capital. In June 2017, he moved into BPI as the Head of Corporate Credit Products, where his team managed the credit reviews and renewals of all the accounts under the Corporate Bank, as well as some specialized credit products and an industry analysis team.

Prior to joining BPI, he worked at Daiwa Capital Markets, spending time in their Manila, Hong Kong and Singapore offices, originating and executing a wide variety of investment banking transactions.

Mr. Luchangco graduated Management Economics from Ateneo de Manila University, and received his MBA degree from the Ross School of Business at the University of Michigan.

MARIA CRISTINA L. GO
President, BPI Family Saving Bank

Filipino, 51 years old, Ms. Go has been the President of BPI Family Savings Bank (BFSB) since June 1, 2017 after serving as Group Head of Retail Loans. Under her leadership, BFSB focused on transforming processes, products and culture to be resilient and relevant given changes in the economic, industry and customer landscape. She focused on reinforcing organizational capability to manage risks and drive quality business growth by putting in place scorecard models, data-driven decision making, depositor lending programs, a diversified and stable funding source, and a performance-driven, collaborative culture. These allowed BFSB to effectively and confidently navigate the pandemic to grow core businesses and maintain a strong capital position. Prior to assuming leadership of BFSB, she served as Head of BPI's Payments and Unsecured Lending Group where she led initiatives and innovations that have differentiated BPI in the industry, such as leading 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 where she became part of the team responsible for the company's foray into the middle-market. She started her career in Procter & Gamble as Brand Assistant then was promoted to Assistant Brand Manager, managing brands such as Mr. Clean, Perla, Star and Dari Crème.

She graduated magna cum laude with a degree in BS Business Administration and Accountancy from the University of the Philippines Diliman, was awarded one of the Ten Outstanding Students of the Philippines, placed first in the CPA licensure exam in 1991, and earned a Master's degree from the Harvard Business School with honors in 1996. She was also awarded as one of UP College of Business Distinguished Alumni in 2012 and one of the Most Influential Filipina Women by the Global Filipina Women's Network in 2016.

She currently serves as the Secretary and Trustee of the Chamber of Thrift Banks, Chairman of the BPI Payments Holdings, Inc., a Director of the Board of TransUnion Philippines and a Director of HealthNow. She is part of the Ayala Group's Innovation Advisory Council since it was organized in 2013. She serves as a mentor for high-impact entrepreneurs in Endeavor Philippines, is a member of the Filipina CEO Circle and writes for the Philippine Star's Property Report.

CONTROL, RISK MANAGEMENT AND COMPLIANCE

ROSEMARIE B. CRUZ
Senior Vice President & Chief Audit Executive

Filipino, 58 years old, Ms. Cruz is the Chief Audit Executive of BPI since January 2012 and leads the Bank's Internal Audit Division. She also serves as the Chief Audit Executive for BPI subsidiaries including BPI Family Savings Bank, BPI Capital Corporation, BPI Securities Corporation, BPI Century Tokyo Lease and Finance, BPI Century Rental Corp, BPI Direct BanKo, BPI Asset Management and Trust Corporation, BPI Investment Management Inc., BPI International Finance Ltd., BPI/MS Insurance, and BPI Ayala Plans. As such, she oversees the audit of the different units, systems and processes of BPI and these subsidiaries and provides assessment on the adequacy and effectiveness of their internal control systems, risk management, and governance processes. She supports the Audit Committee in the discharge of its oversight function and also works closely with the Chief Risk Officer, Chief Compliance Officer, external auditor and other assurance units for a comprehensive review of risks and compliance systems in the Bank. She also sits as non-voting member in the board level Related Party Transaction Committee and the management level Fraud and Irregularities Committee.

LEADERS' BIOGRAPHIES

Ms. Cruz joined BPI in 2000, when the Bank acquired Far East Bank and Trust Company, where she was previously in charge of the audit of the retail banking, lending operations and other backroom support operations. She also headed the special examination unit in charge of investigation of fraud and irregularities.

Ms. Cruz is a Certified Public Accountant and obtained her BSBA Accounting degree from Philippine School of Business Administration. She completed her Advanced Bank Management program at Asian Institute of Management in 1996. Ms. Cruz currently also serves as a member of the Audit Committee of Ayala Multi-Purpose Cooperative.

MARITA SOCORRO D. GAYARES
Senior Vice President & Chief Risk Officer

Filipino, 59 years old, Ms. Gayares is the Chief Risk Officer of the BPI Group of Companies and Head of its Risk Management Office since January 2018. As Chief Risk Officer, she is primarily responsible for the overall management of the BPI Group's enterprise risks – ensuring that all relevant financial and non-financial risks are appropriately identified, measured, controlled, and monitored within the Bank's approved risk appetite and commensurate to returns on capital. She provides executive and strategic risk support to the Bank's Board of Directors, through the Risk Management Committee (RMC), in fulfilling its risk management function and ensuring that the Bank has an established, sound, and robust enterprise risk management (ERM) framework. She works closely with the Chief Audit Executive and Chief Compliance Officer for effective risk management governance, compliance, and control processes across the Bank. She serves as member of the Bank's Fraud and Irregularities Committee (Chairperson), Data Steering Committee (co-Chairperson), Crisis Resiliency Committee (Deputy Commander), Sustainability Council (Vice-Chairperson, non-voting), Enterprise and Information Technology Steering Committee (advisory capacity), Management Committee, Finance Committee (non-voting member), and Operational Risk Management Committee. She likewise serves as a director for BPI Europe Plc.'s Board.

With career stints in the areas of Corporate Banking, Credit and Transaction Banking, Loans Operations, Project Management, Systems, and Financial Control, and having previously served as the Bank's Chief Compliance Officer, Ms. Gayares' extensive and diverse 35-year banking experience has been instrumental in transforming the Bank's compliance, anti-money laundering, corporate governance, and data privacy frameworks, methods, and processes, and helping the Bank become one of the leading financial institutions in the Philippine banking industry in the areas of governance, risk management, and compliance (GRC). Her efforts in the field of risk management did not go unnoticed as she was recognized as the Bank Risk Manager of the Year in the 2020 Asia Risk Awards by Risk.net.

Ms. Gayares 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 Business Administration (major in Finance and Investments) at George Washington University in Washington, D.C. She has successfully completed the Strategic Compliance in the Banking Industry certificate course by the Association of Bank Compliance Officers (ABCOMP) and De La Salle University (DLSU) Manila, as well as completed corporate governance modules facilitated by the Institute of Corporate Directors (ICD). She has previously served as Director and Treasurer of the ABCOMP, and Voting Member of the Bankers Institute of the Philippines, Inc. (BAIPHIL). She currently serves as Member of the Risk Management Committee of the Bankers' Association of the Philippines (BAP), and Board of Advisors/Executive Committee Member of the Enterprise Risk Management (ERM) Council of the Ayala Group of Companies.

NORAVIR A. GEALOGO
Vice President & Chief Compliance Officer

Filipino, 57 years old, Atty. Gealogo is the Chief Compliance Officer of BPI and Head of the Bank's Compliance Division which oversees the implementation of the Bank's enterprise-wide compliance programs and is composed of the following departments: Regulatory Compliance, AML Compliance, AML Systems and Special Projects, FATCA Compliance, Corporate Governance, Data Privacy Office, and Compliance Analytics. The Compliance Division is also empowered by 22 Group Compliance Officers (GCOs), who are embedded in operational units throughout the Bank.

Having been with Far East Bank and Trust Company (FEBTC) since 1991, which then merged with BPI in 2000, she has 30 years of banking experience. Previously a legal officer of FEBTC, the Head of the Legal Advisory Department of BPI and Legal Officer and Head of Compliance of BPI Capital Corporation, she has extensive business, legal and/ or compliance exposure in the areas of corporate and retail banking, corporate finance, project finance, securities distribution, mergers and acquisition, correspondent banking, remittance, and trade finance. She is currently a non-voting member of BPI's boardlevel Related Party Transaction Committee and chairs the management level Money Service Business (MSB) Governance Committee and Money Laundering Evaluation Committee (MLEC).

Atty. Gealogo obtained her Bachelor of Laws from the University of the Philippines Diliman in 1988 and AB History from the University of the Philippines Diliman in 1984. She completed the Development Lawyers Course at the International Development Law Institute in Rome, Italy in 1994 and the Certificate Course in Strategic Compliance for the Banking Industry at the Center for Professional Development in Business of the De La Salle University in 2017. She has regularly undergone corporate governance courses and training provided by the Institute of Corporate Directors (ICD), Bankers Institute of the Philippines (BAIPHIL), and Good Governance Advocates and Practitioners of the Philippines (GGAPP).

She is currently also the Treasurer and a Member of the Board of Directors of the Association of Bank Compliance Officers of the Philippines (ABCOMP).

SUMMARY OF **FINANCIAL PERFORMANCE**

In 2020, BPI realized net profits of Php 21.4 billion, a decline of 25.7% or Php 7.4 billion from the Php 28.8 billion recorded in 2019. The decline in earnings was a result of the Bank booking Php 28.0 billion in provisions for loan losses for the full year 2020, as the economic slowdown leads to an increase in non-performing loans. This provision is 5.0x more than the Php 5.6 billion set aside in 2019.

The 10.5% increase in Total Revenues to Php 101.9 billion was partially offset by the five-fold increase in loss provisioning while Operating Expenses was almost unchanged. The Bank's Comprehensive Income was Php 17.9 billion, down 37.6% largely on lower net income in 2020 and higher actuarial losses on the retirement plan and the downward movement in the re-measurement of insurance liabilities.

Net Interest Income grew by 10.2% to Php 72.3 billion from 2019's Php 65.6 billion, a result of a 5.8% expansion in average asset base supported by a 14-basis point expansion in Net Interest Margin to 3.49%. Non-Interest Income climbed to Php 29.7 billion, up by 11.1% versus 2019 levels, on higher securities trading gains. Fee Income fell by 4.7% to Php 19.6 billion.

The strong revenue led to an improved Cost-to-Income Ratio of 47.2% from the 52.4% recorded in 2019. Operating Expenses was slightly lower in 2020 at Php 48.2 billion or -0.4% year-on-year. Compensation and Fringe Benefits increased Php 636 million, or 3.7%, to Php 18.0 billion on increased bank contribution to retirement fund. Occupancy and equipment-related expenses decreased by Php 130 million, or -0.9%, to Php 14.6 billion due to lower depreciation and rental costs brought by the implementation of PFRS 16 covering Leases, and lower overhead expenses as a result of the reduced activity due to the pandemic. Other Operating Expenses were also down by Php 696 million or -4.3% to Php 15.5 billion on decreased marketing, volume-related transaction and outsourcing costs.

Total Assets stood at Php 2.2 trillion, higher by 1.3% year-on-year, as total funding increased by Php 21.9 billion or 1.2% to Php 1.9 trillion.

Total Loans as of December 31, 2020 was Php 1.4 trillion, a 4.6% decline year-on-year, primarily from the slowdown in corporate lending. Notably, the mortgage and microfinance loan segments ended the year with moderate growth rates of 6.6% and 6.9%, respectively. This brought the Loan-to-Deposit Ratio to 82.0%. The Bank's year-end 2020 NPL ratio was 2.7%, with NPL Coverage ratio at 115.2%. The Bank's total loss coverage, including allowances for contingent liabilities, stood at 117.7%.

Treasury securities increased by Php 58.9 billion or 16.7% to Php 412.0 billion from 2019's Php 353.1 billion. Of this amount, 59.3% was booked in Financial Assets at Amortized Cost which decreased by 11.1% year-on-year to manage unanticipated credit and business risks caused by the COVID-19 pandemic.

Total Deposits grew 1.2% to Php 1.7 trillion versus the level recorded in 2019. Current and Savings Account Deposits grew Php 194.7 billion or 16.6% while Time Deposits declined by Php 173.9 billion or -33.2%. The Bank's CASA Ratio was 79.6%. Despite the lockdowns in 2020, there was strong demand from the debt capital markets which led to the successful completion of the Bank's three bond issuances, all denominated in peso, including the country's first social bonds. This resulted in a 0.7% increase in Other Borrowed Funds to Php 152.0 billion.

The Bank paid a total of Php 8.1 billion cash dividends or Php 1.80 per share to its shareholders in 2020.

STATEMENT OF **MANAGEMENT'S RESPONSIBILITY**

For Financial Statements

The management of Bank of the Philippine Islands (the "Bank") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Jaime Augusto Zobel de Ayala
Chairman of the Board

Cezar P. Consing
President and Chief Executive Officer

Maria Theresa Marcial Javier
Executive Vice President and
Chief Finance Officer

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 1 9 2021, affiants exhibited to me their Passport with the following details:

Name	Passport No.	Date/Place of Issue	Valid Until
Jaime Augusto Zobel de Ayala	P9640299A	Nov. 21, 2018/DFA Manila	Nov. 20, 2028
Cezar P. Consing	P6868155A	Apr. 17, 2018/DFA NCR South	Apr. 16, 2028
Maria Theresa Marcial Javier	P7950774A	Jul. 16, 2018/DFA Manila	Jul. 15, 2023

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Book No. VIII
Series of 2021.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Extended Until June 30, 2021
Per B.M. No. 3795
IBP No. 05729-Lifetime Member
MCLE Compliance No. VI-0024312
Appointment No. M-183-(2019-2020)
PTR No. 8531011 Jan. 4, 2021
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio del Pilar, Makati City

REPORT OF THE AUDIT COMMITTEE
TO THE BOARD OF DIRECTORS

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS
BANK OF THE PHILIPPINE ISLANDS
FOR THE YEAR ENDED DECEMBER 31, 2020

The role and responsibilities of the Audit Committee are defined in the Board-approved Audit Committee charter. In accordance with this charter, the Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders with respect to:

- Systems of internal controls, risk management, and governance process of the Bank
- Integrity of the Bank's financial statements and financial reporting process
- Performance of the internal audit function and the external auditor
- Compliance with bank policies, applicable laws, rules and regulatory requirements

The Committee is composed of three (3) qualified non-executive directors, with two (2) independent directors including its Chairman. All members have the necessary background, knowledge, skills, and/or experience to carry out their functions. It held 11 regular and 6 special meetings in 2020. Highlights of the Committee's activities were as follows:

1. **Financial Statements:**

a) Reviewed and discussed with Management and the external auditor, Isla Lipana & Co., a member firm of Price Waterhouse Coopers, the audited consolidated financial statements of Bank of the Philippine Islands (BPI) and the related disclosures for the year ended December 31, 2020, including the assessment of the internal controls relevant to the financial reporting process. The review was performed in the following context:

- that Management is responsible for the preparation and fair presentation of the financial statements in accordance with the prescribed financial reporting framework, and
- that Isla Lipana has audited the financial statements in accordance with the Philippine Standards on Auditing and is responsible for expressing an opinion on the fairness of the presentation, including the results of its independent review of the Bank's business models and valuation techniques particularly on the recalibrated PFRS9 model, loss provisioning and the implementation of Bayanihan Acts I and 2, in relation to the COVID 19 pandemic.

After obtaining assurance on the external auditor's independent and thorough review of the financial statements, the Committee endorsed the audited financial statements for approval by the Board and for inclusion in the 2020 Annual Report to the Stockholders.

b) Discussed with Management and the internal auditors, the quarterly unaudited consolidated financial reports of BPI Group including the results of operations and endorsed the financial statements to the Board of Directors for approval.

2. **External Audit:**

a) Reviewed the audit plan and the scope of work of the external auditors, ensuring that areas of focus were appropriately covered and there were no significant gaps in the scope between external and internal audits to ensure effective use of resources.

The Committee also reviewed the audit results focusing on significant items with financial impact and key control issues through Management Letter of Comments and ensured that corrective actions are taken by Management. The Audit Committee also held an annual executive session and special meetings with the external auditor relative to its assessment on the key areas of focus and the audit procedures performed ensuring that risks identified to these areas are appropriately and sufficiently addressed .

b) Assessed the overall performance and effectiveness of the external auditor, Isla Lipana and its audit process. The Committee ensures that lead audit partner is rotated every five (5) years and that Isla Lipana & Co. had reaffirmed its independence from BPI and its subsidiaries and are in compliance with the relevant ethical and professional standards. For 2020, a new Engagement Lead Partner for BPI was appointed and approved by the Committee. .

c) In consultation with Management, the Audit Committee recommended for consideration and endorsement of the Board of Directors to the stockholders, the re-engagement of Isla Lipana & Co. for BPI and its subsidiaries and affiliates for year 2021 and other related audit fees.

3. **Internal Audit:**

a) Reviewed and approved the annual work plan of Internal Audit including its charter, risk assessment model and audit rating framework. The Committee ensures that the internal audit function is independent, has adequate and competent resources, and has appropriate authority to be able to effectively discharge its duties. The members of the Audit Committee had periodic discussions with the Chief Audit Executive during the year on significant control and/or risk issues arising from the audit reviews.

b) Reviewed and discussed the reports from internal audit and other management assurance units ensuring that Management is taking the appropriate corrective actions in a timely manner. The Audit Committee also held joint session meetings with the Risk Management Committee to discuss updates on information technology including major systems implemented, cyber security threats and other relevant regulatory developments. The Committee also discussed and noted Management's timely response and measures implemented relative to the COVID 19 pandemic.

c) Reviewed the minutes of meetings of the different Audit Committees of the BPI subsidiaries, to ensure that identified control weaknesses, operational risks and compliance issues are monitored and acted upon.

d) Evaluated the performance of Chief Audit Executive. The Committee also ensures that Internal Audit activities continuously conform with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics through internal and external quality assessment reviews.

4. **Regulatory Compliance:**

a) Reviewed the effectiveness of the system for monitoring compliance with laws and regulations through the regular reports from the Group Compliance Office on the results of its compliance reviews including status of the outstanding BSP ROE findings/ recommendations and Management's actions to address the issues.

b) Discussed the results of the post-implementation reviews of related party transactions (RPTs), ensuring that any significant issues had been appropriately addressed.

In compliance with the SEC requirement and the BPI Corporate Governance Manual, the Audit Committee:

- Attended the required annual SEC accredited workshop on corporate governance, risk management and sustainability and also the seminar on the Anti-Money Laundering and Financial Crime Compliance. The Committee also received updates on the new relevant law and regulations, accounting standards and tax rules.
- Reviewed the Audit Committee Charter to ensure that it is updated and aligned with the regulatory requirements.
- Performed the annual self-assessment and reviewed its performance against its charter and other regulatory mandates. The result was validated by the Compliance Officer and discussed in the Corporate Governance Committee. The process confirmed a satisfactory performance of the Audit Committee.

Based on the results of the assurance activities performed by the Bank's Internal Audit, compliance reviews and the external auditor's unqualified opinion on the financial statements, the Committee assessed that the Bank's systems of internal controls, risk management, and governance processes continue to be adequate and generally effective. This overall assessment states, among others, that the audit scope and coverage are sufficient, comprehensive, and risk-based, that Management is aware of its responsibility for internal control, and that there is no interference with the accomplishment of audit activities and reporting of issues and other relevant information to Management, Audit Committee, and the Board of Directors.

Ma. Dolores B. Yuvienco

MA. DOLORES B. YUVIENCO
Chairman

OCTAVIO V. ESPIRITU
Member

ROMEO L. BERNARDO
Member

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Bank of the Philippine Islands

Financial Statements
As at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020

Isla Lipana & Co.

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala North Exchange
Ayala Avenue corner Salcedo Street, Legaspi Village,
Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") and the parent financial statements of the Bank of the Philippine Islands (the "Parent Bank") present fairly, in all material respects, the financial position of the BPI Group and of the Parent Bank as at December 31, 2020 and 2019, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2020 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, 2020 and 2019;
- the consolidated and parent statements of income for each of the three years in the period ended December 31, 2020;
- the consolidated and parent statements of total comprehensive income for each of the three years in the period ended December 31, 2020;
- the consolidated and parent statements of changes in capital funds for each of the three years in the period ended December 31, 2020;
- the consolidated and parent statements of cash flows for each of the three years in the period ended December 31, 2020; and
- the notes to the consolidated and parent financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing ("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.

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Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
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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.

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Independent Auditor's Report
To the Board of Directors and Shareholders of
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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, 2020, the total allowance for impairment for loans and advances amounted to PHP46,758 million for the BPI Group and PHP34,796 million for the Parent Bank while provision for loan losses recognized in profit or loss for the year then ended amounted to PHP26,994 million for the BPI Group and PHP20,232 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, they are included in a group of loans with similar risk characteristics and are collectively assessed on a portfolio basis using internal models developed by the BPI Group and 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 Philippine Financial Reporting Standard (PFRS) 9, *Financial instruments*; 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;

Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
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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 include the use of key assumptions in the impairment models (i.e., staging of accounts, significant increase in credit risk, forward-looking information), the exposure at default (EAD), the probability of default (PD) and the loss given default (LGD). 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) model prescribed by PFRS 9, 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 models 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 collective loan loss allowance for selected accounts and portfolios at reporting date using the ECL models adopted by the BPI Group and the Parent Bank.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the consolidated and parent financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and parent financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated and parent financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and parent financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and parent financial statements in accordance with 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.

Isla Lipana & Co.

Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
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As part of an audit in accordance with 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Independent Auditor's Report
To the Board of Directors and Shareholders of
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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent financial statements of the current period and is therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required by the Bangko Sentral ng Pilipinas (BSP) and the Bureau of Internal Revenue (BIR)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under BSP Circular No. 1074 in Note 31 and BIR Revenue Regulations No. 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the BSP and the BIR, respectively, and is not a required part of the basic financial statements. Such information is the responsibility of the management of the BPI Group and the Parent Bank. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is 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 5, 2021, Makati City
SEC A.N. (individual) as general auditors 1775 -A, Category A; effective until September 4, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 112-071-386
BIR A.N. 08-000745-017-2018, issued on December 10, 2018; effective until December 9, 2021
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
February 24, 2021

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2020 and 2019
(In Millions of Pesos)

	Notes	Consolidated 2020	Consolidated 2019	Parent 2020	Parent 2019
ASSETS					
CASH AND OTHER CASH ITEMS	4	**37,176**	47,256	**35,912**	45,982
DUE FROM BANGKO SENTRAL NG PILIPINAS	4	**223,989**	207,845	**197,974**	181,815
DUE FROM OTHER BANKS	4	**40,155**	22,356	**36,605**	18,356
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL	4,5	**30,251**	22,570	**26,622**	18,364
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,7	**37,210**	24,105	**33,865**	17,688
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	8	**130,186**	53,905	**120,300**	48,320
INVESTMENT SECURITIES AT AMORTIZED COST, net	9	**244,653**	275,105	**216,810**	252,006
LOANS AND ADVANCES, net	10	**1,407,413**	1,475,336	**1,175,071**	1,231,776
ASSETS HELD FOR SALE, net		**2,971**	3,155	**357**	342
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	11	**18,832**	23,748	**16,131**	16,595
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net	12	**7,510**	6,746	**11,039**	10,031
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**18,726**	17,790	**-**	-
DEFERRED INCOME TAX ASSETS, net	13	**17,525**	9,706	**12,838**	6,653
OTHER ASSETS, net	14	**16,846**	15,407	**14,412**	9,910
Total assets		**2,233,443**	2,205,030	**1,897,936**	1,857,838

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION
December 31, 2020 and 2019
(In Millions of Pesos)

	Notes	Consolidated 2020	Consolidated 2019	Parent 2020	Parent 2019
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	15	**1,716,177**	1,695,343	**1,470,210**	1,456,458
DERIVATIVE FINANCIAL LIABILITIES	7	**5,657**	2,877	**5,657**	2,877
BILLS PAYABLE AND OTHER BORROWED FUNDS	16	**151,947**	150,837	**140,348**	126,529
DUE TO BANGKO SENTRAL NG PILIPINAS AND OTHER BANKS		**1,491**	2,946	**1,491**	2,946
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		**7,108**	8,299	**5,447**	6,421
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		**8,902**	9,865	**6,510**	7,418
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	2	**14,347**	14,061	**-**	-
DEFERRED CREDITS AND OTHER LIABILITIES	17	**45,857**	47,768	**37,103**	38,939
Total liabilities		**1,951,486**	1,931,996	**1,666,766**	1,641,588
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS OF BPI	18				
Share capital		**45,045**	44,999	**45,045**	44,999
Share premium		**74,764**	74,449	**74,764**	74,449
Reserves		**416**	5,108	**196**	4,892
Accumulated other comprehensive loss		**(5,899)**	(2,439)	**(4,288)**	(2,316)
Surplus		**165,509**	147,460	**115,453**	94,226
		279,835	269,577	**231,170**	216,250
NON-CONTROLLING INTERESTS		**2,122**	3,457	**-**	-
Total capital funds		**281,957**	273,034	**231,170**	216,250
Total liabilities and capital funds		**2,233,443**	2,205,030	**1,897,936**	1,857,838

(The notes on pages 1 to 95 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, 2020
(In Millions of Pesos)

	Notes	Consolidated 2020	Consolidated 2019 (As restated)	Consolidated 2018 (As restated)	Parent 2020	Parent 2019	Parent 2018
INTEREST INCOME							
On loans and advances		**82,312**	86,056	68,683	**63,599**	67,895	51,901
On investment securities		**12,052**	12,709	9,615	**10,786**	11,776	8,942
On deposits with BSP and other banks		**1,944**	1,722	1,173	**1,343**	808	548
		96,308	100,487	79,471	**75,728**	80,479	61,391
INTEREST EXPENSE							
On deposits	15	**18,986**	28,874	21,255	**12,777**	21,476	15,645
On bills payable and other borrowed funds	16	**5,058**	6,038	2,599	**4,595**	6,031	2,588
		24,044	34,912	23,854	**17,372**	27,507	18,233
NET INTEREST INCOME		**72,264**	65,575	55,617	**58,356**	52,972	43,158
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	5,9,10,12,14	**28,000**	5,562	4,719	**21,394**	4,666	4,279
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		**44,264**	60,013	50,898	**36,962**	48,306	38,879
OTHER INCOME							
Fees and commissions		**8,899**	9,068	7,828	**7,763**	8,502	7,219
Income from foreign exchange trading		**2,155**	2,111	2,128	**2,022**	1,930	1,831
Securities trading gain		**3,310**	3,882	719	**2,657**	3,574	264
Income attributable to insurance operations	2	**1,506**	1,223	1,223	**-**	-	-
Net gains (losses) on disposals of investment securities at amortized cost	9	**4,647**	128	-	**4,078**	104	(6)
Other operating income	19	**9,142**	10,275	9,105	**13,459**	10,487	5,919
		29,659	26,687	21,003	**29,979**	24,597	15,227
OTHER EXPENSES							
Compensation and fringe benefits	21	**18,005**	17,369	15,201	**13,870**	13,479	11,834
Occupancy and equipment-related expenses	11,20	**14,606**	14,736	11,837	**12,544**	12,943	10,570
Other operating expenses	21	**15,543**	16,239	15,047	**11,788**	12,058	11,257
		48,154	48,344	42,085	**38,202**	38,480	33,661
PROFIT BEFORE INCOME TAX		**25,769**	38,356	29,816	**28,739**	34,423	20,445
INCOME TAX EXPENSE	22						
Current		**10,751**	9,975	7,300	**9,272**	8,788	5,793
Deferred	13	**(6,845)**	(620)	(687)	**(5,144)**	(583)	(776)
		3,906	9,355	6,613	**4,128**	8,205	5,017
NET INCOME FROM CONTINUING OPERATIONS		**21,863**	29,001	23,203	**24,611**	26,218	15,428
NET (LOSS) INCOME FROM DISCONTINUED OPERATIONS	12	**(211)**	82	126	**-**	-	-
NET INCOME AFTER TAX		**21,652**	29,083	23,329	**24,611**	26,218	15,428

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF INCOME
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2020
(In Millions of Pesos, Except Per Share Amounts)

	Notes	Consolidated 2020	Consolidated 2019 (As restated)	Consolidated 2018 (As restated)	Parent 2020	Parent 2019	Parent 2018
(forwarded)							
Basic and diluted earnings per share attributable to the equity holders of BPI during the year from:	18						
Continuing operations		**4.79**	6.38	5.33	**5.45**	5.82	3.57
Discontinued operations		**(0.05)**	0.01	0.01	**-**	-	-
Income (loss) attributable to equity holders of BPI arising from:	18						
Continuing operations		**21,620**	28,761	23,014	**24,611**	26,218	15,428
Discontinued operations		**(211)**	42	64	**-**	-	-
		21,409	28,803	23,078	**24,611**	26,218	15,428
Income attributable to the non-controlling interests arising from:							
Continuing operations		**243**	240	189	**-**	-	-
Discontinued operations		**-**	40	62	**-**	-	-
		243	280	251	**-**	-	-
Income attributable to							
Equity holders of BPI		**21,409**	28,803	23,078	**24,611**	26,218	15,428
Non-controlling interests		**243**	280	251	**-**	-	-
		21,652	29,083	23,329	**24,611**	26,218	15,428

(The notes on pages 1 to 95 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, 2020
(In Millions of Pesos)

	Note	Consolidated			Parent		
		2020	2019 (As restated)	2018 (As restated)	2020	2019	2018
NET INCOME FROM CONTINUING OPERATIONS		**21,863**	29,001	23,203	**24,611**	26,218	15,428
OTHER COMPREHENSIVE (LOSS) INCOME	18						
Items that may be subsequently reclassified to profit or loss							
Share in other comprehensive income (loss) of associates		**640**	1,286	(1,281)	**-**	-	-
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect		**428**	262	(771)	**428**	249	(461)
Fair value reserve on investments of insurance subsidiaries, net of tax effect		**195**	545	(400)	**-**	-	-
Currency translation differences and others		**(238)**	(202)	(26)	**(167)**	(124)	-
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit obligation		**(3,383)**	(1,402)	656	**(2,798)**	(1,141)	431
Share in other comprehensive (loss) income of associates		**(1,242)**	(32)	596	**-**	-	-
Net change in fair value reserve on investments in equity instruments measured at FVOCI, net of tax effect		**215**	(313)	(19)	**565**	(379)	320
Total other comprehensive (loss) income, net of tax effect from continuing operations		**(3,385)**	144	(1,245)	**(1,972)**	(1,395)	290
Total comprehensive income for the year from continuing operations		**18,478**	29,145	21,958	**22,639**	24,823	15,718
NET (LOSS) INCOME FROM DISCONTINUED OPERATIONS		**(211)**	82	126	**-**	-	-
Total other comprehensive loss, net of tax effect from discontinued operations		**(3)**	(16)	(44)	**-**	-	-
Total comprehensive (loss) income, for the year from discontinued operations		**(214)**	66	82	**-**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18,264**	29,211	22,040	**22,639**	24,823	15,718
Total comprehensive income (loss) attributable to equity holders of BPI arising from:							
Continuing operations		**18,163**	28,735	21,858	**22,639**	24,823	15,718
Discontinued operations		**(214)**	34	20	**-**	-	-
		17,949	28,769	21,878	**22,639**	24,823	15,718
Total comprehensive income attributable to the non-controlling interest arising from:							
Continuing operations		**315**	410	100	**-**	-	-
Discontinued operations		**-**	32	62	**-**	-	-
		315	442	162	**-**	-	-
Total comprehensive income attributable to:							
Equity holders of BPI		**17,949**	28,769	21,878	**22,639**	24,823	15,718
Non-controlling interests		**315**	442	162	**-**	-	-
		18,264	29,211	22,040	**22,639**	24,823	15,718

(The notes on pages 1 to 95 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, 2020
(In Millions of Pesos)

	Consolidated							
	Attributable to equity holders of BPI (Note 18)							
	Share capital	Share premium	Reserves	Surplus	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	Total equity
Balance, January 1, 2018	**39,336**	**29,771**	**254**	**116,353**	**(977)**	**184,737**	**2,855**	**187,592**
Comprehensive income								
Net income for the year	-	-	-	23,078	-	23,078	251	23,329
Other comprehensive loss for the year	-	-	-	-	(1,200)	(1,200)	(89)	(1,289)
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**23,078**	**(1,200)**	**21,878**	**162**	**22,040**
Transactions with owners								
Proceeds from stock rights offering	5,587	44,120	-	-	-	49,707	-	49,707
Exercise of stock option plans	38	290	(25)	-	-	303	-	303
Cash dividends	-	-	-	(8,104)	-	(8,104)	-	(8,104)
Total transactions with owners	**5,625**	**44,410**	**(25)**	**(8,104)**	**-**	**41,906**	**-**	**41,906**
Transfer from surplus to reserves	-	-	3,867	(3,867)	-	-	-	-
Other movements	-	-	-	(1)	1	-	-	-
	-	**-**	**3,867**	**(3,868)**	**1**	**-**	**-**	**-**
Balance, December 31, 2018	**44,961**	**74,181**	**4,096**	**127,459**	**(2,176)**	**248,521**	**3,017**	**251,538**
Comprehensive income								
Net income for the year	-	-	-	28,803	-	28,803	280	29,083
Other comprehensive loss for the year	-	-	-	-	(34)	(34)	162	128
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**28,803**	**(34)**	**28,769**	**442**	**29,211**
Transactions with owners								
Exercise of stock option plans	38	268	30	-	-	336	-	336
Cash dividends	-	-	-	(8,113)	-	(8,113)	-	(8,113)
Total transactions with owners	**38**	**268**	**30**	**(8,113)**	**-**	**(7,777)**	**-**	**(7,777)**
Transfer from surplus to reserves	-	-	2,002	(2,002)	-	-	-	-
Transfer from reserves to surplus	-	-	(1,020)	1,020	-	-	-	-
Other movements	-	-	-	293	(229)	64	(2)	62
	-	**-**	**982**	**(689)**	**(229)**	**64**	**(2)**	**62**
Balance, December 31, 2019	**44,999**	**74,449**	**5,108**	**147,460**	**(2,439)**	**269,577**	**3,457**	**273,034**
Comprehensive income								
Net income for the year	-	-	-	21,409	-	21,409	243	21,652
Other comprehensive loss for the year	-	-	-	-	(3,460)	(3,460)	72	(3,388)
Total comprehensive income (loss) for the year	**-**	**-**	**-**	**21,409**	**(3,460)**	**17,949**	**315**	**18,264**
Transactions with owners								
Exercise of stock option plans	46	315	47	-	-	408	-	408
Cash dividends	-	-	-	(8,124)	-	(8,124)	-	(8,124)
Total transactions with owners	**46**	**315**	**47**	**(8,124)**	**-**	**(7,716)**	**-**	**(7,716)**
Transfer from reserves to surplus	-	-	(4,739)	4,739	-	-	-	-
Other movements	-	-	-	25	-	25	(1,650)	(1,625)
	-	**-**	**(4,739)**	**4,764**	**-**	**25**	**(1,650)**	**(1,625)**
Balance, December 31, 2020	**45,045**	**74,764**	**416**	**165,509**	**(5,899)**	**279,835**	**2,122**	**281,957**

(The notes on pages 1 to 95 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, 2020
(In Millions of Pesos)

	Parent (Note 18)					
	Share capital	Share premium	Reserves	Surplus	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2018	**39,336**	**29,771**	**142**	**73,501**	**(1,211)**	**141,539**
Comprehensive income						
Net income for the year	-	-	-	15,428	-	15,428
Other comprehensive income for the year	-	-	-	-	290	290
Total comprehensive income for the year	**-**	**-**	**-**	**15,428**	**290**	**15,718**
Transactions with owners						
Proceeds from stock rights offering	5,587	44,120	-	-	-	49,707
Exercise of stock option plans	38	290	(32)	-	-	296
Cash dividends	-	-	-	(8,104)	-	(8,104)
Total transactions with owners	**5,625**	**44,410**	**(32)**	**(8,104)**	**-**	**41,899**
Transfer from surplus to reserves	-	-	3,867	(3,867)	-	-
Balance, December 31, 2018	**44,961**	**74,181**	**3,977**	**76,958**	**(921)**	**199,156**
Comprehensive income						
Net income for the year	-	-	-	26,218	-	26,218
Other comprehensive loss for the year	-	-	-	-	(1,395)	(1,395)
Total comprehensive income for the year	**-**	**-**	**-**	**26,218**	**(1,395)**	**24,823**
Transactions with owners						
Exercise of stock option plans	38	268	43	-	-	349
Cash dividends	-	-	-	(8,113)	-	(8,113)
Total transactions with owners	**38**	**268**	**43**	**(8,113)**	**-**	**(7,764)**
Transfer from surplus to reserves	-	-	1,892	(1,892)	-	-
Transfer from reserves to surplus	-	-	(1,020)	1,020	-	-
Other movements	-	-	-	35	-	35
	-	**-**	**872**	**(837)**	**-**	**35**
Balance, December 31, 2019	**44,999**	**74,449**	**4,892**	**94,226**	**(2,316)**	**216,250**
Comprehensive income						
Net income for the year	-	-	-	24,611	-	24,611
Other comprehensive loss for the year	-	-	-	-	(1,972)	(1,972)
Total comprehensive income for the year	**-**	**-**	**-**	**24,611**	**(1,972)**	**22,639**
Transactions with owners						
Exercise of stock option plans	46	315	43	-	-	404
Cash dividends	-	-	-	(8,124)	-	(8,124)
Total transactions with owners	**46**	**315**	**43**	**(8,124)**	**-**	**(7,720)**
Transfer from surplus to reserves	-	-	-	-	-	-
Transfer from reserves to surplus	-	-	(4,739)	4,739	-	-
Other movements	-	-	-	1	-	1
	-	**-**	**(4,739)**	**4,740**	**-**	**1**
Balance, December 31, 2020	**45,045**	**74,764**	**196**	**115,453**	**(4,288)**	**231,170**

(The notes on pages 1 to 95 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, 2020
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	**2020**	2019	2018	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit (loss) before income tax from:							
Continuing operations		**25,769**	38,356	29,816	**28,739**	34,423	20,445
Discontinued operations	12	**(246)**	79	183	**-**	-	-
		25,523	38,435	29,999	**28,739**	34,423	20,445
Adjustments for:							
Impairment losses	5,9,10,12,14	**28,000**	5,822	4,923	**21,394**	4,666	4,271
Depreciation and amortization	11,14	**6,023**	7,132	4,797	**4,860**	4,767	2,916
Share in net income of associates	12	**(487)**	(372)	(700)	**-**	-	-
Dividend and other income	19	**(57)**	(77)	(76)	**(7,792)**	(3,794)	(904)
Share-based compensation	18	**47**	30	(25)	**44**	42	(32)
Interest income		**(96,308)**	(101,583)	(80,190)	**(75,728)**	(83,279)	(61,391)
Interest received		**98,573**	100,293	77,715	**77,998**	83,294	59,960
Interest expense		**24,401**	35,638	24,347	**17,651**	27,507	18,233
Interest paid		**(25,768)**	(35,300)	(23,440)	**(18,749)**	(27,375)	(17,494)
(Increase) decrease in:							
Interbank loans receivable and securities purchased under agreements to resell		**320**	1,898	(821)	**201**	1,895	(966)
Financial assets at fair value through profit or loss		**(13,270)**	(8,472)	(2,257)	**(16,339)**	(8,469)	(236)
Loans and advances, net		**39,921**	(125,028)	(154,077)	**35,369**	(109,711)	(140,860)
Assets held for sale		**173**	400	655	**63**	353	509
Assets attributable to insurance operations		**(351)**	287	465	**-**	-	-
Other assets		**(3,084)**	5,611	(8,096)	**(5,609)**	5,702	(3,761)
Increase (decrease) in:							
Deposit liabilities		**20,827**	109,598	23,546	**13,744**	109,252	23,244
Due to Bangko Sentral ng Pilipinas and other banks		**(150)**	(1,041)	2,770	**(150)**	(1,041)	2,770
Manager's checks and demand drafts outstanding		**(1,191)**	1,368	(91)	**(974)**	1,067	(408)
Accrued taxes, interest and other expenses		**315**	303	1,033	**(42)**	411	562
Liabilities attributable to insurance operations		**286**	5	(457)	**-**	-	-
Derivative financial instruments		**2,780**	(38)	52	**2,780**	(28)	45
Deferred credits and other liabilities		**(5,668)**	8,806	2,493	**(4,832)**	7,245	2,506
Net cash from (used in) operations		**100,855**	43,715	(97,435)	**72,628**	46,927	(90,591)
Income taxes paid		**(11,601)**	(10,363)	(7,115)	**(10,080)**	(9,135)	(5,560)
Net cash from (used in) operating activities		**89,254**	33,352	(104,550)	**62,548**	37,792	(96,151)

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2020
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	**2020**	2019	2018	**2020**	2019	2018
(forwarded)							
CASH FLOWS FROM INVESTING ACTIVITIES							
(Increase) decrease in:							
Investment securities, net	8,9	**(46,513)**	(4,343)	(25,828)	**(37,113)**	(3,574)	(31,400)
Bank premises, furniture, fixtures and equipment, net	11	**(768)**	(13,400)	(5,048)	**(4,397)**	(10,285)	(2,518)
Investment properties, net	14	**6**	(57)	1	**4**	(55)	12
Investment in subsidiaries and associates, net	12	**(1,926)**	933	305	**(1,321)**	(89)	(899)
Assets attributable to insurance operations		**(481)**	(1,368)	364	**-**	-	-
Dividends received	19	**57**	77	76	**7,792**	3,794	904
Net cash (used in) from investing activities		**(49,625)**	(18,158)	(30,130)	**(35,035)**	(10,209)	(33,901)
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash dividends paid	17,18	**(8,124)**	(12,167)	(7,598)	**(8,124)**	(12,165)	(7,598)
Proceeds from share issuance	18	**361**	306	50,035	**361**	306	50,035
Increase (decrease) in bills payable and other borrowed funds	16	**1,110**	(16,064)	83,384	**13,819**	(24,351)	80,158
Payments for principal portion of lease liabilities		**(1,458)**	(1,471)	-	**(1,108)**	(1,151)	-
Net cash (used in) from financing activities		**(8,111)**	(29,396)	125,821	**4,948**	(37,361)	122,595
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**31,518**	(14,202)	(8,859)	**32,461**	(9,778)	(7,457)
CASH AND CASH EQUIVALENTS							
January 1	4,5	**299,068**	313,270	322,129	**263,344**	273,122	280,579
December 31		**330,586**	299,068	313,270	**295,805**	263,344	273,122
Non-cash financing and investing activities	11,16,18						
Cash flows from discontinued operations	12						

(The notes on pages 1 to 95 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020 and 2019 AND FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED DECEMBER 31, 2020

Note 1 - General Information

Bank of the Philippine Islands ("BPI" or the "Parent Bank") is a domestic commercial bank with an expanded banking license and was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. The Parent Bank's license was extended for another 50 years on January 4, 1993.

In 2019, the Parent Bank's office address, which also serves as its principal place of business, was transferred to Ayala North Exchange, Ayala Avenue corner Salcedo Street, Legaspi Village, Makati City. Prior to 2019, BPI's registered office address and principal place of business were both located at BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City.

BPI and its subsidiaries (collectively referred to as the "BPI Group") offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, asset management, corporate finance, securities distribution, and insurance services. At December 31, 2020, the BPI Group has 19,952 employees (2019 - 21,429 employees) and operates 1,173 branches (2019 - 1,167 branches) and 2,707 automated teller machines (ATMs) and cash accept machines (CAMs) (2019 - 2,822) to support its delivery of services. The BPI Group also serves its customers through alternative electronic banking channels such as telephone, mobile phone and the internet.

The Parent Bank is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code, which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities.

Coronavirus pandemic

On March 16, 2020, the Philippine Government declared the entire island of Luzon under an Enhanced Community Quarantine (ECQ) due to the increasing coronavirus disease (COVID-19) cases in the country. The ECQ mandated the closure of non-essential businesses and strict home quarantine which resulted in the slowdown of the economy. Measures are implemented to protect the health and safety of the BPI Group's employees, clients and partners, to support business continuity and to manage financial impact to a minimum. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. While banks are authorized to operate during ECQ, branch operations were sorely impacted by COVID-19, with 25% of the branches operating on a skeletal basis during the beginning of the lockdown. With the transition to general community quarantine (GCQ) on June 1, 2020, branch operations have been back to 100%. At this stage, the BPI Group deems it prudent to review its branch network strategy given the acceleration in digital adoption by its clients and other considerations.

While quarantine measures over highly urbanized cities in the National Capital Region (NCR) were relaxed following the proclamation of a modified enhanced community quarantine effective May 16, 2020, and subsequently, a GCQ effective June 1, 2020, operations across various industries remain below full capacity in these areas. Further, certain parts of the Philippines remain under ECQ.

Effect of the suspension of loan payments mandated by the Bayanihan Acts I and II

On March 24, 2020, Congress passed Republic Act No. 11469 or the Bayanihan to Heal as One Act (Bayanihan Act I) into law, which conferred emergency powers to the President of the Philippines. Section 4(aa) of Bayanihan Act I directed all banks to implement a thirty (30)-day grace period for the payment of all loans falling due within the ECQ period without interests, penalties, and other charges. Under this law, persons with multiple loans were granted a grace period of 30 days for each and every loan.

The following were the reprieve measures issued by the government through the Implementing Rules and Regulations (IRR) of Section 4(aa) of Bayanihan Act I for all loans regardless of status with payments (e.g., principal and/or interest) falling due within the ECQ period (March 17, 2020 to May 31, 2020, or as extended):

- implementation of mandatory grace period to extend payment due dates of loans;
- non-imposition of interest on interest and waiver of fees and charges for non-payment;
- non-imposition of documentary stamp tax on credit extensions; and
- payment on a staggered basis for accrued interest on implemented mandatory grace period.

The status of the loans prior to the grant of the mandatory grace period and/or extension of maturity dates or payment due dates were retained. The BPI Group monitored non-performing loans (NPL) internally: 1) based on aging of accounts without the grace period and 2) aging with grace period, as the grant of the grace period may have artificially understated the actual NPL levels.

On September 11, 2020, the President of the Philippines signed into law Republic Act No. 11494 or the Bayanihan to Recover as One Act (Bayanihan Act II), in view of the continuing rise of COVID-19 cases and the ensuing economic disruption brought about by the pandemic. Under Section 4(uu) of Bayanihan Act II, all banks are directed to implement a mandatory one-time sixty (60)-day grace period for the payment of all existing, current, and outstanding loans falling due on or before December 31, 2020, without incurring interest on interest, penalties, fees, or other charges. The amounts falling due within the 60-day grace period may be settled in full after the 60-day grace period, or on a staggered basis until December 31, 2020, or as may be agreed upon by the parties.

While Bayanihan Acts I and II both provide moratorium on the payment of eligible loans, they differ in the qualification of eligible loans, the number of days provided as grace period and the allowable payment schemes.

As a result of the COVID-19 pandemic, the BPI Group has seen an increase in the level of NPL attributable to the temporary/permanent closure of certain businesses, suspended business operations and limited travel and exchange of goods. The actual delinquency status or effect on the NPL levels across different segments and products became evident in the last quarter of 2020 after the lapse of the Bayanihan Act I and may be more pronounced in the early quarters of 2021 considering the effect of Bayanihan Act II relief measures.

Approval and authorization for issuance of financial statements

These financial statements have been approved and authorized for issuance by the Board of Directors (BOD) of the Parent Bank on February 24, 2021.

The consolidated financial statements comprise the financial statements of the Parent Bank and the following subsidiaries:

Subsidiaries	Country of incorporation	Principal activities	% of ownership 2020	2019
BPI Family Savings Bank, Inc.	Philippines	Banking	**100**	100
BPI Capital Corporation	Philippines	Investment house	**100**	100
BPI Direct BanKo, Inc., A Savings Bank	Philippines	Banking	**100**	100
BPI Asset Management and Trust Corporation	Philippines	Asset management	**100**	100
BPI International Finance Limited	Hong Kong	Financing	**100**	100
BPI Europe Plc.	England and Wales	Banking (deposit)	**100**	100
BPI Securities Corp.	Philippines	Securities dealer	**100**	100
BPI Payments Holdings Inc.	Philippines	Financing	**100**	100
Filinvest Algo Financial Corp.	Philippines	Financing	**100**	100
BPI Investment Management, Inc.	Philippines	Investment management	**100**	100
Santiago Land Development Corporation	Philippines	Land holding	**100**	100
BPI Operations Management Corp.	Philippines	Operations management	**100**	100
BPI Computer Systems Corp.	Philippines	Business systems service	**100**	100
BPI Forex Corp.	Philippines	Foreign exchange	**100**	100
BPI Remittance Centre (HK) Ltd.	Hong Kong	Remittance	**100**	100
First Far - East Development Corporation	Philippines	Real estate	**100**	100
FEB Stock Brokers, Inc.	Philippines	Securities dealer	**100**	100
FEB Speed International	Philippines	Remittance	**100**	100
Ayala Plans, Inc.	Philippines	Pre-need	**98.93**	98.93
FGU Insurance Corporation	Philippines	Non-life insurance	**94.62**	94.62
BPI Century Tokyo Lease and Finance Corporation* (BPI CTL)	Philippines	Leasing	**NA**	51
BPI Century Tokyo Rental Corporation**	Philippines	Rental	**NA**	51
CityTrust Securities Corporation**	Philippines	Securities dealer	**NA**	51
BPI/MS Insurance Corporation	Philippines	Non-life insurance	**50.85**	50.85

**Deconsolidated beginning December 23, 2020 and reclassified to investment in associate (Note 12).*
***These companies are no longer subsidiaries of the Parent Bank following the deconsolidation of BPI CTL (Note 12).*

Note 2 - Assets and Liabilities Attributable to Insurance Operations

Details of assets and liabilities attributable to insurance operations at December 31 are as follows:

	2020	2019
	(In Millions of Pesos)	
Assets		
Cash and cash equivalents (Note 4)	**321**	217
Insurance balances receivable, net	**5,512**	5,010
Investment securities		
Financial assets at fair value through profit or loss	**5,300**	5,382
Financial assets at fair value through other comprehensive income (OCI)	**4,835**	4,344
Financial assets at amortized cost	**224**	153
Investment in associates	**169**	167
Accounts receivable and other assets, net	**2,203**	2,320
Land, building and equipment	**162**	197
	18,726	17,790

	2020	2019
	(In Millions of Pesos)	
Liabilities		
Reserves and other balances	**12,565**	12,544
Accounts payable, accrued expenses and other payables	**1,782**	1,517
	14,347	14,061

Details of income attributable to insurance operations before income tax and minority interest for the years ended December 31 are as follows:

	2020	2019	2018
		(In Millions of Pesos)	
Premiums earned and related income	**3,607**	3,841	3,750
Investment and other income	**1,026**	712	755
	4,633	4,553	4,505
Benefits, claims and maturities	**1,720**	1,942	2,049
Decrease in actuarial reserve liabilities	**(315)**	(412)	(379)
Commissions	**879**	938	800
Management and general expenses	**822**	838	799
Other expenses	**21**	24	13
	3,127	3,330	3,282
Income before income tax and minority interest	**1,506**	1,223	1,223

Note 3 - Business Segments

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (CEO), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the BPI Group individually meet the definition of a reportable segment under Philippine Financial Reporting Standards (PFRS) 8, *Operating Segments*.

The BPI Group has determined the operating segments based on the nature of the services provided and the different clients/markets served representing a strategic business unit.

The BPI Group's main operating business segments follow:

- Consumer banking - this segment serves the individual and retail markets. Services cover deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. The segment also includes the entire transaction processing and service delivery infrastructure consisting of network of branches and ATMs as well as phone and internet-based banking platforms.

- Corporate banking - this segment caters both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade and cash management for corporate and institutional customers.

- Investment banking - this segment includes the various business groups operating in the investment markets and dealing in activities other than lending and deposit taking. These services cover corporate finance, securities distribution, asset management, trust and fiduciary services as well as proprietary trading and investment activities.

The performance of the Parent Bank is assessed as a single unit using financial information presented in the separate or Parent only financial statements. Likewise, the CEO assesses the performance of the insurance business as a standalone business segment separate from the banking and allied financial undertakings. Information on the assets, liabilities and results of operations of the insurance business is fully disclosed in Note 2.

The BPI Group and the Parent Bank mainly derive revenue within the Philippines; accordingly, no geographical segment is presented.

The segment report forms part of management's assessment of the performance of the segment, among other performance indicators.

There were no changes in the reportable segments during the year. Transactions between the business segments are carried out at arm's length. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the BPI Group's cost of capital.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. Inter-segment revenues, however, are deemed insignificant for financial reporting purposes, thus, not reported in segment analysis below.

The BPI Group's management reporting is based on a measure of operating profit comprising net interest income, impairment charge, fees and commission income, other income and operating expenses.

Segment assets and liabilities comprise majority of operating assets and liabilities, measured in a manner consistent with that shown in the statement of condition, but exclude items such as taxation.

Following the loss of control of the Parent Bank over BPI CTL effective December 23, 2020 (Note 12), the BPI Group's segment reporting was updated to exclude the contribution of CTL. Consequently, the segment results of operations for 2019 and 2018 were restated. The details of the BPI Group's reportable segments as at and for the years ended December 31 follows:

	2020			
	Consumer banking	**Corporate banking**	**Investment banking**	**Total per management reporting**
	(In Millions of Pesos)			
Net interest income	43,564	26,112	5,909	**75,585**
Provision for credit and impairment losses	13,325	14,491	183	**27,999**
Net interest income after provision for credit and impairment losses	30,239	11,621	5,726	**47,586**
Fees, commissions and other income, net	12,659	2,365	13,166	**28,190**
Total income	42,898	13,986	18,892	**75,776**
Compensation and fringe benefits	14,512	2,513	1,037	**18,062**
Occupancy and equipment-related expenses	9,064	545	330	**9,939**
Other operating expenses	16,975	3,374	1,755	**22,104**
Total other expenses	40,551	6,432	3,122	**50,105**
Operating profit	2,347	7,554	15,770	**25,671**
Income tax expense				**3,906**
Net income from				
Continuing operations				**21,863**
Discontinued operations				**(211)**
Share in net income of associates				**487**
Total assets	478,439	1,129,281	578,047	**2,185,767**
Total liabilities	1,251,744	511,995	162,255	**1,925,994**

	2019			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	41,494	16,791	11,860	70,145
Provision for credit and impairment losses	3,489	2,068	5	5,562
Net interest income after provision for credit and impairment losses	38,005	14,723	11,855	64,583
Fees, commissions and other income, net	14,314	2,199	8,329	24,842
Total income	52,319	16,922	20,184	89,425
Compensation and fringe benefits	14,373	2,479	1,108	17,960
Occupancy and equipment-related expenses	10,147	681	314	11,142
Other operating expenses	15,057	3,066	1,721	19,844
Total other expenses	39,577	6,226	3,143	48,946
Operating profit	12,742	10,696	17,041	40,479
Income tax expense				9,355
Net income from				
Continuing operations				29,001
Discontinued operations				82
Share in net income of associates				372
Total assets	539,093	1,208,553	427,571	2,175,217
Total liabilities	1,211,212	552,549	145,398	1,909,159

	2018			
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	33,973	10,786	16,148	60,907
Provision for credit and impairment losses	1,712	3,002	6	4,720
Net interest income after provision for credit and impairment losses	32,261	7,784	16,142	56,187
Fees, commissions and other income, net	12,291	1,510	5,280	19,081
Total income	44,552	9,294	21,422	75,268
Compensation and fringe benefits	12,554	2,017	1,002	15,573
Occupancy and equipment-related expenses	8,570	634	231	9,435
Other operating expenses	14,484	2,859	1,716	19,059
Total other expenses	35,608	5,510	2,949	44,067
Operating profit	8,944	3,784	18,473	31,201
Income tax expense				6,613
Net income from				
Continuing operations				23,203
Discontinued operations				126
Share in net income of associates				700
Total assets	534,234	1,113,367	409,797	2,057,398
Total liabilities	1,124,800	552,969	137,872	1,815,641

Reconciliation of segment results to consolidated results of operations:

	2020		
	Total per management reporting	**Consolidation adjustments/ Others**	**Total per consolidated financial statements**
		(In Millions of Pesos)	
Net interest income	**75,585**	(3,321)	**72,264**
Provision for credit and impairment losses	**27,999**	1	**28,000**
Net interest income after provision for credit and impairment losses	**47,586**	(3,322)	**44,264**
Fees, commissions and other income, net	**28,190**	1,469	**29,659**
Total income	**75,776**	(1,853)	**73,923**
Compensation and fringe benefits	**18,062**	(57)	**18,005**
Occupancy and equipment-related expenses	**9,939**	4,667	**14,606**
Other operating expenses	**22,104**	(6,561)	**15,543**
Total other expenses	**50,105**	(1,951)	**48,154**
Operating profit	**25,671**	98	**25,769**
Income tax expense	**3,906**		**3,906**
Net income from			
Continuing operations	**21,863**		**21,863**
Discontinued operations	**(211)**		**(211)**
Share in net income of associates	**487**		**487**
Total assets	**2,185,767**	47,676	**2,233,443**
Total liabilities	**1,925,994**	25,492	**1,951,486**

	2019		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
		(In Millions of Pesos)	
Net interest income	70,145	(4,570)	65,575
Provision for credit and impairment losses	5,562	-	5,562
Net interest income after provision for credit and impairment losses	64,583	(4,570)	60,013
Fees, commissions and other income, net	24,842	1,845	26,687
Total income	89,425	(2,725)	86,700
Compensation and fringe benefits	17,960	(591)	17,369
Occupancy and equipment-related expenses	11,142	3,594	14,736
Other operating expenses	19,844	(3,605)	16,239
Total other expenses	48,946	(602)	48,344
Operating profit	40,479	(2,123)	38,356
Income tax expense	9,355		9,355
Net income from			
Continuing operations	29,001		29,001
Discontinued operations	82		82
Share in net income of associates	372		372
Total assets	2,175,217	29,813	2,205,030
Total liabilities	1,909,159	22,837	1,931,996

	2018		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
		(In Millions of Pesos)	
Net interest income	60,907	(5,290)	55,617
Provision for credit and impairment losses	4,720	(1)	4,719
Net interest income after provision for credit and impairment losses	56,187	(5,289)	50,898
Fees, commissions and other income, net	19,081	1,922	21,003
Total income	75,268	(3,367)	71,901
Compensation and fringe benefits	15,573	(372)	15,201
Occupancy and equipment-related expenses	9,435	2,402	11,837
Other operating expenses	19,059	(4,012)	15,047
Total other expenses	44,067	(1,982)	42,085
Operating profit	31,201	(1,385)	29,816
Income tax expense	6,613		6,613
Net income from			
Continuing operations	23,203		23,203
Discontinued operations	126		126
Share in net income of associates	700		700
Total assets	2,057,398	27,830	2,085,228
Total liabilities	1,815,641	18,049	1,833,690

"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.

Note 4 - Cash and Cash Equivalents

The account at December 31 consists of:

		Consolidated		Parent	
	Notes	**2020**	2019	**2020**	2019
			(In Millions of Pesos)		
Cash and other cash items		**37,176**	47,256	**35,912**	45,982
Due from Bangko Sentral ng Pilipinas (BSP)		**223,989**	207,845	**197,974**	181,815
Due from other banks		**40,155**	22,356	**36,605**	18,356
Interbank loans receivable and securities purchased under agreements to resell (SPAR)	5	**28,945**	21,394	**25,314**	17,191
Cash and cash equivalents attributable to insurance operations	2	**321**	217	**-**	-
		330,586	299,068	**295,805**	263,344

Note 5 - Interbank Loans Receivable and Securities Purchased under Agreements to Resell (SPAR)

The account at December 31 consists of transactions with:

	Consolidated		Parent	
	2020	2019	**2020**	2019
		(In Millions of Pesos)		
BSP	**19,450**	20,306	**15,819**	16,947
Other banks	**10,836**	2,293	**10,839**	1,451
	30,286	22,599	**26,658**	18,398
Accrued interest receivable	**6**	11	**5**	6
	30,292	22,610	**26,663**	18,404
Allowance for impairment	**(41)**	(40)	**(41)**	(40)
	30,251	22,570	**26,622**	18,364

As at December 31, 2020, Interbank loans receivable and SPAR maturing within 90 days from the date of acquisition amounting to P28,945 million (2019 - P21,394 million) for the BPI Group and P25,314 million (2019 - P17,191 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	
	2020	2019	**2020**	2019
Peso-denominated	**2.00 - 8.28**	3.49 - 5.74	**2.00 - 8.28**	4.33 - 10.48
US dollar-denominated	**0.07 - 0.30**	1.55 - 2.62	**0.07 - 0.30**	1.55 - 2.62

Note 6 - Financial Assets at Fair Value through Profit or Loss (FVTPL)

The account at December 31 consists of:

		Consolidated		Parent	
	Note	**2020**	2019	**2020**	2019
		(In Millions of Pesos)			
Debt securities					
Government securities		**29,942**	17,017	**28,784**	14,482
Commercial papers of private companies		**2,410**	4,082	**365**	283
Listed equity securities		**70**	73	**-**	-
Derivative financial assets	7	**4,788**	2,933	**4,716**	2,923
		37,210	24,105	**33,865**	17,688

All financial assets at FVTPL held by the BPI Group and the Parent Bank are classified as current.

Note 7 - Derivative Financial Instruments

Derivatives held by the BPI Group consist mainly of the following:

- Foreign exchange forwards represent commitments to purchase or sell one currency against another at an agreed forward rate on a specified date in the future. Settlement can be made via full delivery of forward proceeds or via payment of the difference (non-deliverable forward) between the contracted forward rate and the prevailing market rate at maturity.

- Foreign exchange swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future.

- Interest rate swaps refer to agreement to exchange fixed rate versus floating interest payments (or vice versa) on a reference notional amount over an agreed period.

- Cross currency swaps refer to an exchange of notional amounts on two currencies at a given exchange rate where the parties on the transaction agree to pay a stated interest rate on the received notional amount and accept a stated interest rate on the delivered notional amount, payable and receivable or net settled (non-deliverable swaps) periodically over the term of the transaction.

The BPI Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the BPI Group assesses counterparties using the same techniques as for its lending activities.

The fair values of derivative financial instruments as at December 31 are set out below:

<u>Consolidated</u>

	Assets		Liabilities	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**851**	630	**1,699**	950
Currency forwards	**560**	436	**806**	450
Interest rate swaps	**3,088**	1,856	**3,152**	1,414
Warrants	**1**	1	**-**	-
Equity option	**10**	10	**-**	-
Held for hedging				
Cross currency interest rate swap	**278**	-	**-**	63
	4,788	2,933	**5,657**	2,877

<u>Parent</u>

	Assets		Liabilities	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	**851**	630	**1,699**	950
Currency forwards	**498**	436	**806**	450
Interest rate swaps	**3,088**	1,856	**3,152**	1,414
Warrants	**1**	1	**-**	-
Held for hedging				
Cross currency interest rate swap	**278**	-	**-**	63
	4,716	2,923	**5,657**	2,877

Cash flow hedge of foreign currency-denominated bond

Consistent with its established risk management framework and asset liability management strategies, the Parent Bank decided to hedge the foreign currency exposure arising from the CHF-denominated debt (hedged item) issued in 2019 (Note 16).

The Parent Bank aims to minimize or reduce the volatility in the overall portfolio brought about by the movement of CHF against the US Dollar through a hedging instrument - cross currency interest rate swap (CCIRS). Under the terms of the CCIRS, the Parent Bank agrees to receive CHF in exchange for US Dollar at settlement date which coincides with the maturity date of the hedged item. The volatility arising from movement of US Dollar against the functional currency (Philippine Peso), however, is managed in conjunction with the Parent Bank's overall foreign currency risk management. The hedge ratio of 1:1 is observed so as not to create an imbalance that would create hedge ineffectiveness. The hedge has been reassessed to be effective at reporting date.

<u>Critical accounting estimate - Determination of fair value of derivatives and other financial instruments</u>

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments.

All models are approved by the BOD before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions about these factors could affect reported fair value of financial instruments. The BPI Group considers that it is impracticable, however, to disclose with sufficient reliability the possible effects of sensitivities surrounding the fair value of financial instruments that are not quoted in active markets.

Note 8 - Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Debt securities				
Government securities	**100,063**	39,751	**91,971**	36,409
Commercial papers of private companies	**26,092**	10,624	**26,006**	9,914
	126,155	50,375	**117,977**	46,323
Accrued interest receivable	**696**	704	**646**	686
	126,851	51,079	**118,623**	47,009
Equity securities				
Listed	**1,784**	1,738	**1,369**	972
Unlisted	**1,551**	1,088	**308**	339
	3,335	2,826	**1,677**	1,311
	130,186	53,905	**120,300**	48,320

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	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Current (within 12 months)	**42,777**	3,105	**41,472**	830
Non-current (over 12 months)	**84,074**	47,974	**77,151**	46,179
	126,851	51,079	**118,623**	47,009

The range of average effective interest rates (%) of financial assets at FVOCI for the years ended December 31 follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
Peso-denominated	**1.70 - 7.18**	4.09 - 5.75	**1.70 - 7.18**	4.42 - 5.75
Foreign currency-denominated	**0.06 - 5.73**	2.14 - 2.94	**0.06 - 5.73**	2.14 - 2.94

Interest income from debt instruments recognized in the statement of income for the year ended December 31, 2020 amounts to P3,398 million (2019 - P1,937 million; 2018 - P278 million) and P3,124 million (2019 - P1,871 million; 2018 - P160 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, 2020 amounts to P57 million (2019 - P76 million; 2018 - P74 million) and P48 million (2019 - P48 million; 2018 - P41 million) for the BPI Group and Parent Bank, respectively.

Note 9 - Investment Securities at Amortized Cost, net

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Government securities	**166,907**	190,773	**150,209**	170,366
Commercial papers of private companies	**75,411**	80,644	**64,522**	78,285
	242,318	271,417	**214,731**	248,651
Accrued interest receivable	**2,348**	3,688	**2,092**	3,355
	244,666	275,105	**216,823**	252,006
Allowance for impairment	**(13)**	-	**(13)**	-
	244,653	275,105	**216,810**	252,006

The range of average effective interest rates (%) for the years ended December 31 follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
Peso-denominated	**1.67 - 4.20**	3.62 - 4.03	**1.67 - 4.20**	3.64 - 4.05
Foreign currency-denominated	**2.45 - 2.61**	3.08 - 4.69	**2.45 - 2.61**	3.11 - 4.83

In 2020, the BPI Group and the Parent Bank recognized a net gain on derecognition of P4,647 million and P4,078 million, respectively, due mainly to its disposal of a portfolio of debt securities in response to an impending change in tax regulations and to manage unanticipated credit and business risks caused by the coronavirus pandemic. In 2019 and 2018, the BPI Group and the Parent Bank sold an insignificant amount of debt securities, which resulted in a gain of P128 million (2018 - nil) and P104 million (2018 - P6 million loss), respectively.

Interest income from these investment securities recognized in the statement of income for the year ended December 31, 2020 amounts to P8,398 million (2019 - P10,318 million; 2018 - P9,035 million) and P7,386 million (2019 - P9,675 million; 2018 - P8,514 million) for the BPI Group and the Parent Bank, respectively.

Investment securities at amortized cost are expected to be realized as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Current (within 12 months)	**46,389**	15,165	**33,404**	10,686
Non-current (over 12 months)	**198,264**	259,940	**183,406**	241,320
	244,653	275,105	**216,810**	252,006

Critical accounting judgment - Classification of investment securities at amortized cost

The BPI Group classifies its financial assets at initial recognition as to whether it will be subsequently measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss. The BPI Group determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The BPI Group determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the "SPPI"). If the instrument fails the SPPI test, it will be measured at fair value through profit or loss.

Note 10 - Loans and Advances, net

Details of this account at December 31 are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
Corporate loans	(In Millions of Pesos)			
Large corporate customers	**1,112,069**	1,147,643	**1,092,514**	1,121,050
Small and medium enterprise	**66,869**	73,357	**49,699**	54,553
Retail loans				
Credit cards	**68,057**	75,100	**65,686**	72,785
Real estate mortgages	**140,552**	137,380	**10**	11
Auto loans	**51,045**	53,789	**-**	-
Others	**11,616**	11,421	**616**	499
	1,450,208	1,498,690	**1,208,525**	1,248,898
Accrued interest receivable	**8,976**	9,660	**6,180**	6,958
Unearned discount/income	**(5,013)**	(7,040)	**(4,838)**	(5,475)
	1,454,171	1,501,310	**1,209,867**	1,250,381
Allowance for impairment	**(46,758)**	(25,974)	**(34,796)**	(18,605)
	1,407,413	1,475,336	**1,175,071**	1,231,776

As at December 31, 2020, the BPI Group has no outstanding loans and advances used as security for bills payable (2019 - P19,628 million) (Note 16).

Loans and advances include amounts due from related parties (Note 25).

Loans and advances are expected to be realized as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Current (within 12 months)	**520,304**	552,190	**489,943**	517,516
Non-current (over 12 months)	**933,867**	949,120	**719,924**	732,865
	1,454,171	1,501,310	**1,209,867**	1,250,381

Finance lease operations (the BPI Group as the lessor)

In December 2020, certain receivables from finance lease arrangements of BPI Century Tokyo Lease and Finance Corporation (BPI CTL) amounting to P5,669 million were assigned to BPI and BFB. These loan accounts are subsequently grouped as part of “Corporate loans” and “Auto loans” categories for BPI and BFB, respectively. Guaranteed deposits related to the assigned receivables were not transferred to BPI and BFB and have been retained by BPI CTL.

Until December 22, 2020, the BPI Group, through BPI CTL is engaged in the leasing out of transportation equipment under various finance lease arrangements which typically run for a non-cancellable period of five years. The lease contracts generally include an option for the lessee to purchase the leased asset after the lease period at a price that approximates to about 5% to 40% of the fair value of the asset at the inception of the lease. Likewise, the lease contract requires the lessee to put up a guarantee deposit equivalent to the residual value of the leased asset at the end of lease term. In the event that the residual value of the leased asset exceeds the guaranteed deposit liability at the end of the lease term, the BPI Group receives additional payment from the lessee prior to the transfer of the leased asset.

Effective December 23, 2020, the majority ownership in BPI CTL was transferred to Tokyo Century Corporation (TCC) (Note 12). The loss of control of the Parent Bank over BPI CTL resulted in the deconsolidation of the finance lease operations in the books of the BPI Group as at December 31, 2020.

Details of finance lease receivables (included in “Corporate loans” category above) arising from lease contracts as at December 31, 2019 are as follows:

	Amount
	(In Millions of Pesos)
Total future minimum lease collections	12,666
Unearned finance income	(1,395)
Present value of future minimum lease collections	11,271
Allowance for credit losses	(628)
	10,643

Details of future gross minimum lease payments receivable as at December 31, 2019 follow:

	Amount
	(In Millions of Pesos)
Not later than one year	1,532
Later than one year but not later than five years	10,373
More than five years	761
	12,666
Unearned finance income	(1,395)
	11,271

There are no contingent rents arising from lease contracts outstanding at December 31, 2019.

The range of average interest rates (%) of loans and advances for the years ended December 31 follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
Commercial loans				
Peso-denominated loans	**4.53 - 5.20**	5.00 - 5.95	**4.75 - 5.25**	5.24 - 5.88
Foreign currency-denominated loans	**2.32 - 3.98**	4.18 - 4.91	**2.41 - 3.98**	4.18 - 4.91
Real estate mortgages	**6.50 - 8.05**	7.30 - 7.74	**-**	0.10 - 4.26
Auto loans	**8.97 - 9.87**	8.31 - 10.69	**-**	-

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	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**257,311**	278,099	**132,600**	138,607
Chattel mortgage	**51,821**	57,037	**8**	10
Others	**203,629**	148,385	**201,013**	146,038
	512,761	483,521	**333,621**	284,655
Unsecured loans	**932,434**	1,008,129	**870,066**	958,768
	1,445,195	1,491,650	**1,203,687**	1,243,423

Other collaterals include hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Note 11 - Bank Premises, Furniture, Fixtures and Equipment, net

The details of and movements in the account are summarized below:

Consolidated

	2020					
	Notes	Land	Buildings and leasehold improvements	Furniture and equipment	Equipment for lease	**Total**
	(In Millions of Pesos)					
Cost						
January 1, 2020		3,019	21,956	17,023	6,131	**48,129**
Additions		-	857	1,733	1,072	**3,662**
Disposals		(6)	(4)	(1,684)	(842)	**(2,536)**
Transfers		-	2	(9)	(13)	**(20)**
Effect of deconsolidation	12	-	(2)	(25)	(6,348)	**(6,375)**
Other changes	20	-	1,496	-	-	**1,496**
December 31, 2020		**3,013**	**24,305**	**17,038**	**-**	**44,356**
Accumulated depreciation						
January 1, 2020		-	8,179	14,357	1,845	**24,381**
Depreciation and amortization		-	847	1,523	1,326	**3,696**
Disposals		-	(2)	(1,424)	(564)	**(1,990)**
Transfers		-	-	(5)	(7)	**(12)**
Effect of deconsolidation	12	-	(8)	(11)	(2,600)	**(2,619)**
Other changes	20	-	2,068	-	-	**2,068**
December 31, 2020		**-**	**11,084**	**14,440**	**-**	**25,524**
Net book value, December 31, 2020		**3,013**	**13,221**	**2,598**	**-**	**18,832**

	2019				
	Land	Buildings and leasehold improvements	Furniture and equipment	Equipment for lease	Total
	(In Millions of Pesos)				
Cost					
January 1, 2019, as previously reported	3,028	10,889	16,496	5,580	35,993
Impact of adoption of PFRS 16	-	9,051	-	-	9,051
January 1, 2019, as restated	3,028	19,940	16,496	5,580	45,044
Additions	-	2,607	1,326	1,570	5,503
Disposals	(9)	(224)	(707)	(1,019)	(1,959)
Transfers	-	(367)	(92)	-	(459)
December 31, 2019	3,019	21,956	17,023	6,131	48,129
Accumulated depreciation					
January 1, 2019	-	5,511	13,040	1,190	19,741
Depreciation and amortization	-	2,829	1,712	1,364	5,905
Disposals	-	(141)	(383)	(687)	(1,211)
Transfers	-	(20)	(12)	(22)	(54)
December 31, 2019	-	8,179	14,357	1,845	24,381
Net book value, December 31, 2019	3,019	13,777	2,666	4,286	23,748

Parent

	2020				
	Notes	Land	Buildings and leasehold improvements	Furniture and equipment	**Total**
	(In Millions of Pesos)				
Cost					
January 1, 2020		2,668	18,956	15,177	**36,801**
Additions		-	750	1,547	**2,297**
Disposals		-	-	(1,564)	**(1,564)**
Transfers		-	-	-	**-**
Other changes	20	-	1,077	-	**1,077**
December 31, 2020		**2,668**	**20,783**	**15,160**	**38,611**
Accumulated depreciation					
January 1, 2020		-	7,232	12,974	**20,206**
Depreciation and amortization		-	640	1,286	**1,926**
Disposals		-	-	(1,343)	**(1,343)**
Transfers		-	-	-	**-**
Other changes	20	-	1,691	-	**1,691**
December 31, 2020		**-**	**9,563**	**12,917**	**22,480**
Net book value, December 31, 2020		**2,668**	**11,220**	**2,243**	**16,131**

	2019			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
	(In Millions of Pesos)			
Cost				
January 1, 2019, as previously reported	2,677	9,615	14,708	27,000
Impact of adoption of PFRS 16	-	7,900	-	7,900
January 1, 2019, as restated	2,677	17,515	14,708	34,900
Additions	-	1,767	1,036	2,803
Disposals	(9)	(223)	(567)	(799)
Transfers	-	(103)	-	(103)
December 31, 2019	2,668	18,956	15,177	36,801
Accumulated depreciation				
January 1, 2019	-	5,040	11,814	16,854
Depreciation and amortization	-	2,352	1,484	3,836
Disposals	-	(141)	(324)	(465)
Transfers	-	(19)	-	(19)
December 31, 2019	-	7,232	12,974	20,206
Net book value, December 31, 2019	2,668	11,724	2,203	16,595

Other changes pertain to additions and remeasurement of right-of-use assets due to renewal of lease agreements, extension of lease terms and deferral of escalation clause on existing lease contracts. The impact of remeasurement is presented in Note 20.

Depreciation and amortization charges are included in "Occupancy and equipment-related expenses" category in the statements of income.

In 2020, the Parent Bank realized a gain of P77 million (2019 - P855 million) (Note 19) from the disposal of certain bank premises, furniture, fixtures and equipment.

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.

Note 12 - Investments in Subsidiaries and Associates, net

This account at December 31 consists of investments in shares of stock as follows:

	Consolidated		**Parent**	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Carrying value (net of impairment)				
Investments at equity method	**7,510**	6,746	**-**	-
Investments at cost method	**-**	-	**11,039**	10,031
	7,510	6,746	**11,039**	10,031

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 2020	2019	Acquisition cost 2020	2019
		(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	**880**	820
BPI-Philamlife Assurance Corporation (BPLAC)	Philippines	**47.96**	47.96	**389**	389
BPI Century Tokyo Lease and Finance Corporation**	Philippines	**49.00**	51.00	**316**	-
Beacon Property Ventures, Inc.	Philippines	**20.00**	20.00	**72**	72
CityTrust Realty Corporation	Philippines	**40.00**	40.00	**2**	2
National Reinsurance Corporation of the Philippines*	Philippines	**-**	13.69	**-**	204
				3,001	2,829

The Parent Bank has a significant influence due to its representation in the governing body of National Reinsurance Corporation of the Philippines.
**BPI CTL is a subsidiary of the Parent Bank until December 22, 2020.*

Beginning July 1, 2020, the Parent Bank lost its significant influence over National Reinsurance Corporation of the Philippines. Consequently, the Parent Bank has irrevocably designated this investment to be classified as FVOCI. The carrying amount of the investment as at date of reclassification, which is also its deemed cost, amount to P204 million.

The movements in investments in associates accounted for using the equity method in the consolidated financial statements are summarized as follows:

	2020	2019
	(In Millions of Pesos)	
Acquisition cost		
At January 1	**2,829**	2,741
Effect of deconsolidation	**316**	-
Additions during the year	**60**	88
Reclassification	**(204)**	-
At December 31	**3,001**	2,829
Accumulated equity in net income		
At January 1	**3,007**	3,264
Effect of deconsolidation	**1,352**	-
Share in net income for the year	**487**	372
Dividends received	**(343)**	(629)
Reclassification	**(302)**	-
At December 31	**4,201**	3,007
Accumulated share in other comprehensive income (loss)		
At January 1	**1,050**	(206)
Effect of deconsolidation	**(13)**	-
Share in other comprehensive income for the year	**(589)**	1,256
At December 31	**448**	1,050
Allowance for impairment	**(140)**	(140)
	7,510	6,746

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:

	2020	2019
	(In Millions of Pesos)	
Total assets	**128,719**	132,126
Total liabilities	**113,630**	113,282
Total revenues	**19,042**	25,911
Total net income	**1,484**	2,007

The details of equity investments accounted for using the cost method in the separate financial statements of the Parent Bank follow:

	Acquisition cost 2020	2019	Allowance for impairment 2020	2019	Carrying value 2020	2019
			(In Millions of Pesos)			
Subsidiaries						
BPI Europe Plc.(BPI Europe)	**3,160**	1,910	**-**	-	**3,160**	1,910
BPI Direct BanKo, Inc., A Savings Bank (BanKo)	**1,509**	1,009	**-**	-	**1,509**	1,009
BPI Asset Management and Trust Corporation	**1,502**	1,502	**-**	-	**1,502**	1,502
Ayala Plans, Inc.	**864**	864	**-**	-	**864**	864
BPI Payments Holdings Inc. (BPHI)	**633**	573	**(612)**	(299)	**21**	274
BPI Capital Corporation	**623**	623	**-**	-	**623**	623
FGU Insurance Corporation	**303**	303	**-**	-	**303**	303
BPI Forex Corp.	**195**	195	**-**	-	**195**	195
BPI Family Savings Bank, Inc. (BFB)	**150**	150	**-**	-	**150**	150
BPI Remittance Centre (HK) Ltd. (BERC HK)	**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
BPI Century Tokyo Lease and Finance Corporation	**-**	329	**-**	-	**-**	329
BPI Express Remittance Corp. USA (BERC USA)	**-**	191	**-**	-	**-**	191
Green Enterprises S.R.L. in Liquidation (Green Enterprises)	**-**	54	**-**	-	**-**	54
BPI Express Remittance Spain S.A (BERC Spain)	**-**	26	**-**	-	**-**	26
Others	**321**	321	**-**	-	**321**	321
Associates	**2,120**	2,009	**-**	-	**2,120**	2,009
	11,651	10,330	**(612)**	(299)	**11,039**	10,031

In 2020, the Parent Bank made additional capital infusions to BPI Europe, BanKo and BPHI amounting to P1,250 million (2019 - nil), P500 million (2019 - nil) and P60 million (2019 - P70 million), respectively. In addition, BERC USA, Green Enterprises, and BERC Spain were liquidated during the year ended December 31, 2020 and proceeds equal to the remaining book value were received by the Parent Bank.

Likewise, the Parent Bank in 2020, recognized an impairment loss of P313 million (2019 - nil) on its investment in BPHI due to financial losses incurred by BPHI's associate, AFPI, as disclosed above. In computing for its recoverable amount, the Parent Bank used a discount rate of 11.63% (2019 - 13.44%) in assessing its value in use, which amounts to P21 million in 2020 (2019 - P274 million).

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, 2020 and 2019 in its subsidiaries apart from BPHI.

For the 2020 and 2019 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.

Discontinued operations

On November 18, 2020, the Board of Directors approved the transfer of the Parent Bank's majority ownership via the sale of its 2% share in BPI CTL effective December 22, 2020, to TCC, resulting in a 49% and 51% ownership structure between BPI and TCC. The consideration paid by TCC is equivalent to the price-to-book value multiple of 1.06x of CTL's book value as at December 31, 2019.

Accordingly, the sale of shares resulting in a loss of control of the subsidiary was presented as discontinued operations. The financial performance and cash flow information presented below are for the period from January 1, 2020 to December 22, 2020 (2020 column), and for the years ended December 31, 2019 and 2018.

	2020	2019	2018
	(In Millions of Pesos)		
INTEREST INCOME			
On loans and advances	370	1,095	718
On investment securities	-	-	1
On deposits with BSP and other banks	1	1	-
	371	1,096	719
INTEREST EXPENSE			
On bills payable and other borrowed funds	271	726	492
NET INTEREST INCOME	100	370	227
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	418	260	204
NET INTEREST (EXPENSE) INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	(318)	110	23
OTHER INCOME			
Fees, commissions, and other operating income	949	1,867	1,768
Income (loss) from foreign exchange trading	28	(9)	-
	977	1,858	1,768
OTHER EXPENSES			
Compensation and fringe benefits	63	118	114
Occupancy and equipment-related expenses	727	1,543	1,399
Other operating expenses	115	228	95
	905	1,889	1,608
(LOSS) PROFIT BEFORE INCOME TAX	(246)	79	183
INCOME TAX EXPENSE			
Current	90	62	104
Deferred	(125)	(65)	(47)
	(35)	(3)	57
NET (LOSS) INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	(211)	82	126

	2020	2019	2018
	(In Millions of Pesos)		
Net cash flows from operating activities	3,791	941	(2,304)
Net cash flows from investing activities	3,539	3	(3)
Net cash flows from financing activities	(7,326)	(884)	2,293
Net increase (decrease) in cash flows from discontinued operations	4	60	(14)

The carrying amounts of assets and liabilities of CTL as at the date of sale (December 23, 2020) are as follows:

	Amount
	(In Millions of Pesos)
Due from other banks	1,769
Investment securities at amortized cost, net	12
Loans and advances, net	2,610
Bank premises, furniture, fixtures and equipment, net	3,756
Other assets, net	3,747
Total assets	**11,894**
Bills payable and other borrowed funds	5,472
Accrued taxes, interest and other expenses	170
Deferred credits and other liabilities	3,231
Total liabilities	**8,873**
Net assets	**3,021**

The details of the sale of the 2% ownership in CTL are as follows:

	Consolidated	Parent
	(In Millions of Pesos)	
Cash consideration received	72	72
Carrying amount of net assets sold	(62)	(13)
Gain on sale	10	59

The resulting gain is recorded as part of miscellaneous income under other operating income (Note 19).

Note 13 - Deferred Income Taxes

Details of deferred income tax assets and liabilities at December 31 are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Deferred income tax assets				
Allowance for credit and impairment losses	**15,067**	8,345	**10,675**	5,644
Pension liability	**2,558**	1,129	**2,368**	897
Provisions	**307**	394	**251**	313
Others	**155**	354	**144**	263
Total deferred income tax assets	**18,087**	10,222	**13,438**	7,117
Deferred income tax liabilities				
Unrealized gain on property appraisal	**(476)**	(483)	**(476)**	(483)
Others	**(86)**	(33)	**(124)**	19
Total deferred income tax liabilities	**(562)**	(516)	**(600)**	(464)
Deferred income tax assets, net	**17,525**	9,706	**12,838**	6,653

Movements in net deferred income tax assets are summarized as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
At January 1	**9,706**	8,536	**6,653**	5,723
Amounts recognized in statement of income	**6,845**	685	**5,144**	583
Amounts recognized in other comprehensive income	**974**	485	**1,041**	347
At December 31	**17,525**	9,706	**12,838**	6,653

Details of deferred income tax items recognized in the statements of income are as follows:

	Consolidated			Parent		
	2020	2019	2018	**2020**	2019	2018
	(In Millions of Pesos)					
Allowance for impairment	**(6,637)**	(946)	(547)	**(4,992)**	(718)	(593)
Pension	**(45)**	18	68	**(55)**	9	9
NOLCO	**17**	83	129	**-**	-	-
Provisions	**-**	-	(1)	**-**	-	6
Others	**(180)**	160	(383)	**(97)**	126	(198)
	(6,845)	(685)	(734)	**(5,144)**	(583)	(776)

The deferred income tax benefit recognized in the statement of income of the BPI Group as presented above includes the portion of BPI CTL for the year ended December 31, 2019 amounting to P65 million (2018 - P47 million) (Note 12).

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.

Note 14 - Other Assets, net

The account at December 31 consists of the following:

		Consolidated		Parent	
	Note	2020	2019	2020	2019
		(In Millions of Pesos)			
Sundry debits		**6,456**	1,663	**6,098**	1,518
Accounts receivable		**2,690**	2,358	**2,402**	2,218
Intangible assets		**2,530**	2,797	**2,178**	2,435
Prepaid expenses		**984**	944	**705**	578
Rental deposits		**762**	734	**650**	623
Accrued trust and other fees		**703**	747	**141**	338
Creditable withholding tax		**330**	503	**193**	107
Investment properties		**150**	156	**139**	143
Residual value of equipment for lease	12	**-**	2,781	**-**	-
Miscellaneous assets		**3,224**	3,239	**2,728**	2,260
		17,829	15,922	**15,234**	10,220
Allowance for impairment		**(983)**	(515)	**(822)**	(310)
		16,846	15,407	**14,412**	9,910

Sundry debits are float items caused by timing differences in recording of transactions. These float items are normally cleared within seven days.

Accounts receivable includes non-loan related receivables from merchants and service providers, litigation related receivables and receivables from employees.

Intangible assets comprise computer software costs, contractual customer relationships and management contracts.

Residual value of equipment for lease pertains to refundable operating and finance lease deposits held under CTL.

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	
	2020	2019	2020	2019
	(In Millions of Pesos)			
At January 1	**515**	825	**310**	665
Provision for impairment losses	**684**	54	**614**	5
Transfer/reallocation	**-**	(38)	**(29)**	(36)
Write-off	**(216)**	(326)	**(73)**	(324)
At December 31	**983**	515	**822**	310

Other assets are expected to be realized as follows:

	Consolidated		Parent	
	2020	2019	2020	2019
	(In Millions of Pesos)			
Current (within 12 months)	**15,079**	10,089	**12,907**	7,632
Non-current (over 12 months)	**2,750**	5,833	**2,327**	2,588
	17,829	15,922	**15,234**	10,220

Note 15 - Deposit Liabilities

The account at December 31 consists of:

	Consolidated		Parent	
	2020	2019	2020	2019
	(In Millions of Pesos)			
Demand	**314,853**	272,020	**304,140**	262,149
Savings	**1,051,069**	899,181	**925,409**	795,936
Time	**350,255**	524,142	**240,661**	398,373
	1,716,177	1,695,343	**1,470,210**	1,456,458

Deposit liabilities include amounts due to related parties (Note 25).

Deposit liabilities are expected to be settled as follows:

	Consolidated		Parent	
	2020	2019	2020	2019
	(In Millions of Pesos)			
Current (within 12 months)	**731,596**	796,447	**646,179**	711,910
Non-current (over 12 months)	**984,581**	898,896	**824,031**	744,548
	1,716,177	1,695,343	**1,470,210**	1,456,458

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		
	2020	2019	2018	2020	2019	2018
	(In Millions of Pesos)					
Demand	**625**	628	687	**578**	574	630
Savings	**6,053**	6,738	7,384	**4,944**	5,541	6,061
Time	**12,308**	21,508	13,184	**7,255**	15,361	8,954
	18,986	28,874	21,255	**12,777**	21,476	15,645

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 2019, the reserve ratio decreased to 14% from 18% following the BSP's decision to reduce the requirements. In 2020, the BSP approved further reduction in reserves which brought the requirement down to 12% for universal and commercial banks effective April 3, 2020 by virtue of BSP Circular 1082. For thrift banks, the BSP approved reduction in reserves which brought the requirement from 4% down to 3% effective July 31, 2020 by virtue of BSP Circular 1092.

Reserves must be set aside in deposits with the BSP. As at December 31, 2020, the reserves (included in Due from BSP) amounted to P154,696 million (2019 - P178,591 million) for the BPI Group and P147,618 million (2019 - P169,303 million) for the Parent Bank. The BPI Group is in full compliance with the reserve requirement as at December 31, 2020 and 2019.

Note 16 - Bills Payable and Other Borrowed Funds

The account at December 31 consists of:

	Consolidated		Parent	
	2020	2019	2020	2019
	(In Millions of Pesos)			
Bills payable				
Local banks	**5,406**	34,364	**5,406**	21,810
Foreign banks	**18,190**	31,417	**16,136**	29,255
Other borrowed funds	**128,351**	85,056	**118,806**	75,464
	151,947	150,837	**140,348**	126,529

Bills payable

Bills payable include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group in accordance with the agreed financing programs. Loans and advances arising from these financing programs serve as collateral for this liability (Note 10). The average payment terms of these bills payable is 0.59 years (2019 - 0.90 years).

The range of average interest rates (%) of bills payable for the years ended December 31 follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
Private firms and local banks - Peso-denominated	**0.89 - 4.30**	2.20 - 6.67	**0.89 - 4.00**	2.25 - 6.25
Foreign banks - Foreign currency-denominated	**0.11 - 2.85**	0.63 - 4.20	**0.11 - 2.85**	1.45 - 3.66

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, in one or more tranches, under an updated Bank Bond Issuance Program with drawdowns as at December 31, 2020 as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount
				(In Millions of Pesos)	
Fixed rate bonds, unconditional, unsecured and unsubordinated bonds	January 24, 2020	4.2423%	January 24, 2022	15,328	15,251
Fixed rate bonds, unconditional, unsecured and unsubordinated bonds	March 27, 2020	4.05%	September 27, 2021	33,896	33,724
BPI CARe bonds, unconditional, unsecured and unsubordinated bonds	August 7, 2020	3.05%	May 7, 2022	21,500	21,391

Likewise, on October 31, 2019, the BOD of BFB, a wholly-owned subsidiary, approved the establishment of a Peso Bond Program in the aggregate amount of P35,000 million. In line with the said program, on December 16, 2019, BFB issued P9,600 million with a coupon of 4.30% per annum, payable quarterly to mature on June 16, 2022 and with a carrying amount of P9,545 million as at December 31, 2020 (2019 - P9,510 million).

b) Medium-Term Note (MTN) Program

On June 21, 2018, the BOD of the Parent Bank approved the establishment of the MTN Program in the aggregate amount of up to US$2,000 million with drawdowns as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount 2020	Carrying amount 2019
					(In Millions of Pesos)	
US$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000	**28,695**	30,214
US$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	**14,330**	15,091
CHF 100 million, 2-year senior unsecured Green Bonds	September 24, 2019	-	September 24, 2021	5,250	**5,415**	5,167

The CHF-denominated bonds are designated as hedged items in a cash flow hedge initiated by the Parent Bank in 2019. See Note 7 for the related disclosures.

Interest expense for the years ended December 31 is summarized as follows:

	Consolidated			Parent		
	2020	2019	2018	**2020**	2019	2018
	(In Millions of Pesos)					
Bills payable	**471**	2,823	2,024	**458**	2,834	2,013
Other borrowed funds	**4,587**	3,215	575	**4,137**	3,197	575
	5,058	6,038	2,599	**4,595**	6,031	2,588

The movements in bills payable and other borrowed funds are summarized as follows:

	Note	Consolidated		Parent	
		2020	2019	**2020**	2019
		(In Millions of Pesos)			
At January 1		**150,837**	166,901	**126,529**	150,880
Additions		**233,553**	374,332	**185,258**	291,585
Maturities		**(221,404)**	(387,343)	**(165,879)**	(313,027)
Amortization of discount		**(238)**	(17)	**(275)**	(19)
Exchange differences		**(5,329)**	(3,036)	**(5,285)**	(2,890)
Effect of deconsolidation	12	**(5,472)**	-	**-**	-
At December 31		**151,947**	150,837	**140,348**	126,529

Bills payable and other borrowed funds are expected to be settled as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Current (within 12 months)	**57,955**	48,291	**55,901**	35,948
Non-current (over 12 months)	**93,992**	102,546	**84,447**	90,581
	151,947	150,837	**140,348**	126,529

Note 17 - Deferred Credits and Other Liabilities

The account at December 31 consists of the following:

	Notes	Consolidated		Parent	
		2020	2019	**2020**	2019
		(In Millions of Pesos)			
Bills purchased - contra		**12,802**	15,301	**12,801**	15,299
Lease liabilities	20	**7,811**	7,856	**6,559**	6,739
Accounts payable		**5,984**	4,738	**4,661**	3,078
Other deferred credits		**2,718**	1,576	**400**	323
Due to the Treasurer of the Philippines		**942**	947	**823**	827
Outstanding acceptances		**934**	3,855	**934**	3,855
Withholding tax payable		**604**	1,062	**438**	892
Vouchers payable		**-**	51	**-**	51
Deposit on lease contract	12	**-**	2,639	**-**	-
Miscellaneous liabilities		**14,062**	9,743	**10,487**	7,875
		45,857	47,768	**37,103**	38,939

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.

Following the adoption of PFRS 16 on January 1, 2019, the BPI Group recognized lease liabilities which have been measured at the present value of the remaining lease payments using the applicable incremental borrowing rates adopted by the BPI Group (Note 20).

Accounts payable consists of unpaid balances arising from transfer tax payments, settlement fees and operating expenses.

Other deferred credits pertain to discount on purchased contract-to-sell receivables from developers. These are being amortized on a monthly basis over the life of the receivable using the effective interest rate method.

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	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Current (within 12 months)	**32,332**	36,818	**25,677**	36,455
Non-current (over 12 months)	**13,525**	10,950	**11,426**	2,484
	45,857	47,768	**37,103**	38,939

Note 18 - Capital Funds

a) Share capital

Details of authorized share capital of the Parent Bank follow:

	2020	2019	2018
	(In Millions of Pesos, except par value per share)		
Authorized capital (at P10 par value per share)			
Common shares	**49,000**	49,000	49,000
Preferred A shares	**600**	600	600
	49,600	49,600	49,600

Details of the Parent Bank's subscribed common shares are as follows:

	2020	2019	2018
	(In absolute number of shares)		
Common shares			
At January 1	**4,507,071,644**	4,502,449,501	3,939,412,661
Subscription of shares during the year	**6,029,961**	4,622,143	563,036,840
At December 31	**4,513,101,605**	4,507,071,644	4,502,449,501
	(In absolute amounts)		
Subscription receivable	**85,612,950**	71,637,390	63,417,380

The BPI common shares are listed and traded in the PSE since October 12, 1971.

On February 10, 2014, additional 370,370,370 common shares were listed as a result of the stock rights offer. Likewise, on April 25, 2018, BPI completed its P50 billion stock rights offer, which paved the way for the issuance of 558,659,210 new common shares at P89.50 per share. The new shares were issued to shareholders as of record date April 6, 2018, at a ratio of 1:7.0594, or 1 new common share for every 7 shares held, or 14.2% of BPI's outstanding common shares. These new shares were listed on the Philippine Stock Exchange (PSE) on May 4, 2018.

As at December 31, 2020, 2019 and 2018, the Parent Bank has 12,306, 12,396, and 12,588 common shareholders, respectively. There are no preferred shares issued and outstanding at December 31, 2020, 2019 and 2018.

Preferred A shares shall have pre-emptive rights with respect to additional issues of Preferred A shares of the Parent Bank.

b) Reserves

The account consists of:

	Consolidated			Parent		
	2020	2019	2018	**2020**	2019	2018
	(In Millions of Pesos)					
Reserve for trust business	**199**	199	90	**-**	-	-
Executive stock option plan amortization	**183**	136	105	**162**	119	76
Reserve for self-insurance	**34**	34	34	**34**	34	34
General loan loss provision	**-**	4,739	3,867	**-**	4,739	3,867
	416	5,108	4,096	**196**	4,892	3,977

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. However, in 2020, this appropriation was reversed to surplus free as the BPI Group's PFRS 9 loan loss provision exceeded the 1% GLLP requirement of the BSP.

Reserve for trust business

In compliance with existing BSP regulations, 10% of BPI AMTC's income from trust business is appropriated to surplus reserve. This yearly appropriation is required until the surplus reserve for trust business reaches 20% of the authorized capital of BPI AMTC.

Reserve for self-insurance

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of personnel and third parties.

Share-based compensation plan

The BOD of the Parent Bank approved to grant the Executive Stock Option Plan (ESOP) and Executive Stock Purchase Plan (ESPP) to qualified beneficiaries/participants up to the following number of shares for future distribution:

Date	Approved ESOP shares	Approved ESPP shares
December 11, 2019	4,035,000	9,100,000
December 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. As of December 31, 2020, the weighted average fair value of options granted determined using the Black-Scholes valuation model was P5.79, P6.54, and P7.79 for the ESOP granted on 2019, 2018 and 2017, respectively.

Movements in the number of share options under the ESOP are summarized as follows:

	2020	2019	2018
At January 1	**13,965,001**	11,773,334	11,338,333
Granted	**3,950,000**	4,000,000	3,480,000
Exercised	**(141,667)**	(1,116,666)	(2,786,665)
Cancelled	**(1,851,667)**	(691,667)	(258,334)
At December 31	**15,921,667**	13,965,001	11,773,334
Exercisable	**8,526,667**	6,733,334	5,120,000

The impact of ESOP is not considered material to the financial statements; thus, the disclosures were limited only to the information mentioned above.

The subscription price for ESPP is equivalent to 15% below the volume weighted average of BPI share price for the 30-trading days immediately prior to the grant date. The subscription dates for the last three-year ESPP were on February 4, 2020, January 7, 2019 and January 8, 2018.

c) Accumulated other comprehensive loss

Details of and movements in the account are as follows:

	Consolidated			Parent		
	2020	2019	2018	**2020**	2019	2018
			(In Millions of Pesos)			
Fair value reserve on available-for-sale securities						
At January 1	**-**	-	(3,125)	**-**	-	(3,275)
From continuing operations						
Effect of PFRS 9 adoption	**-**	-	3,125	**-**	-	3,275
Unrealized fair value loss before tax	**-**	-	-	**-**	-	-
Amount recycled to profit or loss	**-**	-	-	**-**	-	-
Deferred income tax effect	**-**	-	-	**-**	-	-
At December 31	**-**	-	-	**-**	-	-
Fair value reserve on financial assets at FVOCI						
At January 1	**(84)**	(33)	-	**(61)**	69	-
From continuing operations						
Unrealized fair value loss before tax	**(69)**	(424)	(364)	**889**	(94)	(12)
Amount recycled to profit or loss	**494**	387	(390)	**479**	(32)	(128)
Effect of PFRS 9 adoption	**-**	-	757	**-**	-	210
Deferred income tax effect	**218**	(14)	(36)	**(375)**	(4)	(1)
At December 31	**559**	(84)	(33)	**932**	(61)	69
Share in other comprehensive income (loss) of insurance subsidiaries						
At January 1	**118**	(36)	45	**-**	-	-
Share in other comprehensive income (loss) for the year, before tax	**131**	389	(316)	**-**	-	-
Effect of PFRS 9 adoption	**-**	(229)	229	**-**	-	-
Deferred income tax effect	**(30)**	(6)	6	**-**	-	-
At December 31	**219**	118	(36)	**-**	-	-
Share in other comprehensive income (loss) of associates						
At January 1	**1,048**	(206)	479	**-**	-	-
Share in other comprehensive income (loss) for the year	**(602)**	1,254	(685)	**-**	-	-
At December 31	**446**	1,048	(206)	**-**	-	-
Translation adjustment on foreign operations						
At January 1	**(906)**	(704)	(678)	**(124)**	-	-
Translation differences and others	**(238)**	(202)	(26)	**(167)**	(124)	-
At December 31	**(1,144)**	(906)	(704)	**(291)**	(124)	-
Remeasurements of defined benefit obligation, net						
At January 1	**(2,615)**	(1,197)	(1,809)	**(2,131)**	(990)	(1,421)
From continuing operations						
Actuarial (losses) gains for the year	**(4,729)**	(1,829)	875	**(4,214)**	(1,508)	616
Deferred income tax effect	**1,368**	427	(264)	**1,416**	367	(185)
From discontinued operations						
Actuarial (losses) gains for the year	**(7)**	(22)	2	**-**	-	-
Deferred income tax effect	**4**	6	(1)	**-**	-	-
At December 31	**(5,979)**	(2,615)	(1,197)	**(4,929)**	(2,131)	(990)
	(5,899)	(2,439)	(2,176)	**(4,288)**	(2,316)	(921)

d) Dividend declarations

Cash 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, 2020		
May 20, 2020	0.90	4,062
October 21, 2020	0.90	4,062
		8,124
For the year ended December 31, 2019		
May 15, 2019	0.90	4,056
November 20, 2019	0.90	4,057
		8,113
For the year ended December 31, 2018		
June 20, 2018	0.90	4,052
December 19, 2018	0.90	4,052
		8,104

e) Earnings per share (EPS)

EPS is calculated as follows:

	Consolidated			Parent		
	2020	2019	2018	**2020**	2019	2018
	(In Millions of Pesos, except earnings per share amounts)					
a) Net income attributable to equity holders of the Parent Bank from:						
Continuing operations	**21,620**	28,761	23,014	**24,611**	26,218	15,428
Discontinued operations	**(211)**	42	64	**-**	-	-
b) Weighted average number of common shares outstanding during the year	**4,513**	4,507	4,316	**4,513**	4,507	4,316
c) Basic EPS (a/b) based on net income from:						
Continuing operations	**4.79**	6.38	5.33	**5.45**	5.82	3.57
Discontinued operations	**(0.05)**	0.01	0.01	**-**	-	-

The basic and diluted EPS are the same for the years presented as the impact of stock options outstanding is not significant to the calculation of weighted average number of common shares.

Note 19 - Other Operating Income

Details of other operating income are as follows:

	Consolidated			Parent		
	2020	2019 (As Restated)	2018 (As Restated)	**2020**	2019	2018
			(In Millions of Pesos)			
Trust and asset management fees	**3,495**	2,868	2,956	**5**	4	-
Credit card income	**3,091**	3,523	3,254	**3,013**	3,423	3,126
Gain on sale of assets	**372**	1,284	1,306	**124**	898	658
Rental income	**208**	226	198	**260**	267	254
Dividend income	**57**	76	74	**7,792**	3,794	904
Miscellaneous income	**1,919**	2,298	1,317	**2,265**	2,101	977
	9,142	10,275	9,105	**13,459**	10,487	5,919

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.

Note 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)

On January 1, 2019, the BPI Group adopted PFRS 16, *Leases,* which requires recognition of both right-of-use assets and lease liability arising from long-term leases.

Details of right-of-use assets and lease liabilities as at December 31 are as follows:

		Consolidated		Parent	
	Notes	**2020**	2019	**2020**	2019
		(In Millions of Pesos)			
Right-of-use assets					
Buildings and leasehold improvements	11	**7,222**	7,787	**6,114**	6,733
Lease liabilities (included in "Deferred credits and other liabilities")	17				
Current		**1,772**	1,485	**1,448**	1,251
Non-current		**6,039**	6,371	**5,111**	5,488
		7,811	7,856	**6,559**	6,739

Additions to the right-of-use assets (Note 11) in 2020 aggregated P1,484 million and P1,074 million for BPI Group and BPI Parent, respectively (2019 - P669 million and P442 million for BPI Group and BPI Parent, respectively). Total cash outflow for leases in 2020 amounted to P1,814 million and P1,387 million for BPI Group and BPI Parent, respectively (2019 - P1,869 million and P1,466 million for BPI Group and BPI Parent, respectively).

Amounts recognized in the statement of income relating to leases:

		Consolidated		Parent	
	Notes	**2020**	2019 (As Restated)	**2020**	2019
		(In Millions of Pesos)			
Depreciation expense					
Buildings and leasehold improvements	11	**2,068**	1,933	**1,691**	1,609
Interest expense (included in "Occupancy and equipment-related expenses")		**357**	398	**279**	315
Expense relating to short-term leases (included in "Occupancy and equipment-related expenses")		**125**	228	**117**	203
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in "Occupancy and equipment-related expenses")		**108**	55	**57**	43
		2,658	2,614	**2,144**	2,170

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 PRFS 16, *Leases*, introduced in May 2020 in accounting for the rent concessions. Consequently, the BPI Group recognized the following amounts for the year ended December 31, 2020:

	Consolidated	Parent
	(In Millions of Pesos)	
Rent concession (included in "Miscellaneous income")	149	141
Rent escalation deferral		
Decrease in right-of-use assets	(222)	(205)
Decrease in lease liabilities	(114)	(101)

Critical accounting judgment - Determining the lease term

In determining the lease term, the BPI Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Critical accounting judgment - Determining the incremental borrowing rate

To determine the incremental borrowing rate, each entity within the BPI Group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing; and
- makes adjustments specific to the lease (e.g. term, currency and security).

The BPI Group's weighted average incremental borrowing rates applied to the lease liabilities ranged from 4.30% to 4.84% (2019 - 6.6% to 6.9%). The rates were determined in reference to the borrowing rates arising from the most recent debt issuances of the Parent Bank.

Note 21 - Operating Expenses

a) Compensation and fringe benefits

Details of the account for the years ended December 31:

		Consolidated			Parent		
	Note	**2020**	2019 (As Restated)	2018 (As Restated)	**2020**	2019	2018
		(In Millions of Pesos)					
Salaries and wages		**14,896**	14,517	12,527	**11,411**	11,231	9,702
Retirement expense	23	**1,068**	771	869	**872**	536	608
Other employee benefit expenses		**2,041**	2,081	1,805	**1,587**	1,712	1,524
		18,005	17,369	15,201	**13,870**	13,479	11,834

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		
	2020	2019 (As Restated)	2018 (As Restated)	**2020**	2019	2018
	(In Millions of Pesos)					
Insurance	**4,289**	4,142	4,094	**3,065**	2,861	2,789
Taxes and licenses	**1,263**	927	778	**957**	657	539
Travel and communication	**1,132**	1,199	996	**961**	974	825
Advertising	**804**	1,492	1,310	**754**	1,316	1,123
Supervision and examination fees	**733**	653	587	**570**	506	441
Litigation expenses	**430**	549	495	**249**	308	255
Office supplies	**390**	477	589	**309**	389	490
Amortization expense	**339**	311	293	**-**	30	11
Management and other professional fees	**301**	501	601	**248**	388	626
Shared expenses	**-**	-	-	**39**	39	26
Others	**5,862**	5,988	5,304	**4,636**	4,590	4,132
	15,543	16,239	15,047	**11,788**	12,058	11,257

Insurance expense comprise mainly of premium payments made to Philippine Deposit Insurance Corporation 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. Incremental costs incurred due to the COVID-19 pandemic are likewise presented as part of other expenses.

Note 22 - Income Taxes

The reconciliation between the income tax expense at the statutory tax rate and the effective income tax for the years ended December 31 is shown below:

	Consolidated					
	2020		2019		2018	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
			(In Millions of Pesos)			
Statutory income tax	**7,667**	**30.00**	11,506	30.00	8,945	30.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**(229)**	**(0.90)**	(1,553)	(4.05)	(518)	(1.73)
Tax-exempt income	**(5,320)**	**(20.82)**	(2,925)	(7.63)	(1,579)	(5.30)
Others, net	**1,788**	**7.00**	2,327	6.07	(235)	(0.79)
Effective income tax	**3,906**	**15.28**	9,355	24.39	6,613	22.18

	Parent					
	2020		2019		2018	
	Amount	**Rate (%)**	Amount	Rate (%)	Amount	Rate (%)
			(In Millions of Pesos)			
Statutory income tax	**8,621**	**30.00**	10,327	30.00	6,134	30.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	**(258)**	**(0.90)**	(1,445)	(4.20)	(519)	(2.54)
Tax-exempt income	**(3,823)**	**(13.30)**	(1,637)	(4.76)	(495)	(2.42)
Others, net	**(412)**	**(1.43)**	960	2.79	(103)	(0.50)
Effective income tax	**4,128**	**14.37**	8,205	23.83	5,017	24.54

Note 23 - Retirement Plans

The BPI Group maintains both defined benefit and defined contribution retirement plans. Assets of both retirement plans are held in trust and governed by local regulations and practices in the Philippines. The key terms of these pension plans are discussed below.

a) Defined benefit retirement plan

BPI Group (excluding insurance operations)

BPI has a unified plan which covers all subsidiaries except insurance entities. Under this plan, the normal retirement age is 60 years. Normal retirement benefit consists of a lump sum benefit equivalent to 200% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered at least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service. For voluntary retirement, the benefit is equivalent to 112.50% of the employee's basic monthly salary for a minimum of 10 years of service with the rate factor progressing to a maximum of 200% of basic monthly salary for service years of 25 or more. Death or disability benefit, on the other hand, shall be the highest amount among the same basis as in voluntary retirement, 100% of basic monthly salary of the employee at the time of his retirement for each year of service and 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 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	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Present value of defined benefit obligation	**16,532**	14,892	**14,008**	12,545
Fair value of plan assets	**(9,189)**	(12,172)	**(7,762)**	(10,130)
Pension liability recognized in the statement of condition	**7,343**	2,720	**6,246**	2,415
Effect of asset ceiling	**16**	46	**-**	-
	7,359	2,766	**6,246**	2,415

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	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
At January 1	**12,172**	9,851	**10,130**	8,195
Contributions	**915**	861	**770**	715
Interest income	**666**	648	**556**	535
Benefit payments	**(2,077)**	(1,187)	**(1,633)**	(985)
Remeasurement - return on plan assets	**(2,468)**	1,999	**(2,061)**	1,665
Transfer to defined contribution plan	**-**	-	**-**	5
Effect of deconsolidation	**(19)**	-	**-**	-
At December 31	**9,189**	12,172	**7,762**	10,130

The carrying values of the plan assets represent their fair value as at December 31, 2020 and 2019.

The plan assets are comprised of the following:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Debt securities	**4,343**	3,773	**3,668**	3,140
Equity securities	**3,807**	5,721	**3,216**	4,761
Others	**1,039**	2,678	**878**	2,229
	9,189	12,172	**7,762**	10,130

The plan assets of the unified retirement plan include investment in BPI's common shares with aggregate fair value of P390 million at December 31, 2020 (2019 - P421 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	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
At January 1	**14,892**	10,892	**12,545**	9,171
Interest cost	**830**	944	**698**	795
Current service cost	**756**	545	**628**	456
Remeasurement - changes in financial assumptions	**2,265**	3,583	**1,832**	2,984
Remeasurement - experience adjustment	**(80)**	115	**(62)**	112
Benefit payments	**(2,077)**	(1,187)	**(1,633)**	(985)
Transfers to defined contribution plan	**-**	-	**-**	12
Effect of deconsolidation	**(54)**	-	**-**	-
At December 31	**16,532**	14,892	**14,008**	12,545

The BPI Group has no other transactions with the plan other than the regular funding contributions presented above for the years ended December 31, 2020 and 2019.

(b) Expense recognized in the statement of income for the year ended December 31 are as follows:

	Consolidated			Parent		
	2020	2019	2018	**2020**	2019	2018
	(In Millions of Pesos)					
Current service cost	**754**	545	659	**628**	456	539
Net interest cost	**164**	86	96	**142**	80	69
	918	631	755	**770**	536	608

The current service cost and net interest cost of the BPI Group as presented above include the portion of BPI CTL for the year ended December 31, 2019 amounting to P2.4 million (2018 - P2.7 million).

The principal assumptions used for the actuarial valuations of the unified plan are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
Discount rate	**3.96%**	5.57%	**3.96%**	5.57%
Future salary increases	**5.00%**	5.00%	**5.00%**	5.00%

Assumptions regarding future mortality and disability experience are based on published statistics generally used for local actuarial valuation purposes.

The defined benefit plan typically exposes the BPI Group to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the BPI Group. However, the BPI Group believes that due to the long-term nature of the pension liability and the strength of the BPI Group itself, the mix of debt and equity securities holdings of the plan is an appropriate element of the BPI Group's long-term strategy to manage the plan efficiently.

The BPI Group ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The BPI Group's main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the trustor, as necessary to better ensure the appropriate asset-liability matching.

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, 2021 for the BPI Group and the Parent Bank amount to P1,562 million and P1,301 million respectively, (2020 - P1,001 million and P836 million, respectively). The weighted average duration of the defined benefit obligation under the BPI unified retirement plan as at December 31, 2020 is 9.56 years (2019 - 9.65 years).

The projected maturity analysis of retirement benefit payments as at December 31 are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Up to one year	**1,225**	1,135	**1,081**	873
More than 1 year to 5 years	**4,715**	3,967	**4,302**	3,470
More than 5 years to 10 years	**8,604**	8,200	**7,388**	6,923
More than 10 years to 15 years	**9,781**	11,617	**8,127**	9,765
More than 15 years to 20 years	**5,243**	6,825	**4,327**	5,853
Over 20 years	**18,369**	25,238	**12,669**	19,527

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as at December 31 follows:

Consolidated

2020

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.5%	Decrease by 5.40%	Increase by 6.00%
Salary growth rate	1.0%	Increase by 10.10%	Decrease by 8.80%

2019

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 4.60%	Increase by 5.00%
Salary growth rate	1.0%	Increase by 10.40%	Decrease by 9.10%

Parent

2020

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.5%	Decrease by 4.40%	Increase by 4.70%
Salary growth rate	1.0%	Increase by 9.60%	Decrease by 8.50%

2019

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 4.60%	Increase by 5.00%
Salary growth rate	1.0%	Increase by 10.30%	Decrease by 9.00%

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.

Under the normal or late retirement, employees are entitled to a benefit equal to the total of the following amounts:

- The higher between (a) cumulative fund balance equivalent to 8% of the basic monthly salary and (b) the minimum legal retirement benefit under the Labor Code; and
- Employee contributions fund

The defined contribution retirement plan has a defined benefit minimum guarantee equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of 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	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Fair value of plan assets	**1,478**	1,748	**1,102**	1,325
Present value of defined benefit obligation	**(1,069)**	(811)	**(692)**	(604)
	409	937	**410**	721
Effect of asset ceiling	**428**	945	**410**	721
	(19)	(8)	**-**	-

The movements in the present value of the defined benefit obligation follow:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
At January 1	**811**	298	**604**	219
Interest cost	**45**	27	**34**	20
Current service cost	**154**	59	**105**	40
Benefit payments	**(93)**	(56)	**(73)**	(41)
Remeasurement - changes in financial assumptions	**303**	403	**189**	299
Remeasurement - experience adjustment	**(146)**	80	**(167)**	67
Effect of deconsolidation	**(5)**	-	**-**	-
At December 31	**1,069**	811	**692**	604

The movements in the fair value of plan assets follow:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
At January 1	**1,748**	1,254	**1,325**	930
Contribution paid by employer	**318**	237	**218**	163
Interest income	**101**	114	**77**	88
Benefit payments	**(93)**	(56)	**(73)**	(41)
Transfer to the plan	**-**	-	**-**	2
Remeasurement - return on plan assets	**(585)**	199	**(445)**	183
Effect of deconsolidation	**(11)**	-	**-**	-
At December 31	**1,478**	1,748	**1,102**	1,325

Total retirement expense for the year ended December 31, 2020 under the defined contribution plan for the BPI Group and Parent Bank amounts to P150 million (2019 - P142 million) and P102 million (2019 - P98 million), respectively.

The components of plan assets of the defined contribution as at December 31 are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Debt securities	**720**	663	**537**	506
Equity securities	**695**	962	**518**	730
Others	**63**	123	**47**	89
	1,478	1,748	**1,102**	1,325

The weighted average duration of the defined contribution retirement plan for the BPI Group and Parent Bank is 20.46 years (2019 - 20.83 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, 2020 and 2019 are determined using the market yields on Philippine government bonds with terms consistent with the expected payments of employee benefits. Plan assets are invested in either equity securities, debt securities or other forms of investments. Equity markets may experience volatility, which could affect the value of pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual results that differ from the BPI Group's assumptions are reflected as remeasurements in other comprehensive income. The BPI Group's assumptions are based on actual historical experience and external data regarding compensation and discount rate trends.

Note 24 - Asset Management Business

At December 31, 2020, the net asset value of trust and fund assets managed by the BPI Group through BPI AMTC amounts to P854 billion (2019 - P731 billion).

As required by the General Banking Act, BPI AMTC has deposited government securities with the BSP valued at P426 million (2019 - P377 million).

Note 25 - Related Party Transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its subsidiaries and associates. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and subsidiaries (Ayala Group), on an arm's length basis. AC is a significant stockholder of BPI as at reporting date.

The Parent Bank has a Board-level Related Party Transactions Committee that vets and endorses all significant related party transactions, including those involving directors, officers, stockholders and their related interests (DOSRI), for which the latter shall require final Board approval. The Committee consists of three directors, majority of whom are independent directors including the Chairman, and two non-voting members from management, namely, the Chief Audit Executive and the Chief Compliance Officer.

Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties or to similar transactions in the market.

A summary of significant related party transactions and outstanding balances as at and for the years ended December 31 is shown below (transactions with subsidiaries have been eliminated in the consolidated financial statements):

Consolidated

	2020		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	**131**	**189**	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.32% to 9.87% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	**159**	**509**	
Ayala Group	**16,624**	**76,509**	
Other related parties	**23,424**	**24,160**	
	40,338	**101,367**	
Deposits from:			
Subsidiaries	**(1,804)**	**7,942**	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.13% to 0.26% Savings - 0.25% to 0.61% Time - 1.91% to 3.65%
Associates	**(626)**	**1,277**	
Ayala Group	**5,463**	**18,750**	
Key management personnel	**(454)**	**783**	
	2,579	**28,752**	

	Transactions for the year	Outstanding balances	Terms and conditions
	2019		
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	5	58	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.18% to 10.69% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(38)	350	
Ayala Group	27,306	59,885	
Other related parties	275	736	
	27,548	61,029	
Deposits from:			
Subsidiaries	1,024	9,746	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.22% to 0.27% Savings - 0.59% to 0.62% Time - 3.61% to 5.15%
Associates	1,486	1,903	
Ayala Group	(3,517)	13,287	
Key management personnel	694	1,238	
	(313)	26,174	

	Transactions for the year	Outstanding balances	Terms and conditions
	2018		
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	(81)	53	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 3.87% to 8.25% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	190	387	
Ayala Group	5,026	32,579	
Other related parties	159	461	
	5,294	33,480	
Deposits from:			
Subsidiaries	373	8,722	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.22% to 0.31% Savings - 0.62% to 0.68% Time - 2.61% to 4.37%
Associates	38	417	
Ayala Group	12,263	16,804	
Key management personnel	162	543	
	12,836	26,486	

Parent

	Transactions for the year	Outstanding balances	Terms and conditions
	2020		
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	**(58)**	**-**	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.41% to 5.25% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	**159**	**509**	
Ayala Group	**11,237**	**71,123**	
Other related parties	**6,833**	**7,569**	
	18,171	**79,201**	
Deposits from:			
Subsidiaries	**(1,782)**	**7,933**	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.12% to 0.25% Savings - 0.24% to 0.56% Time - 0.99% to 3.44%
Associates	**(632)**	**1,254**	
Ayala Group	**3,930**	**16,851**	
Key management personnel	**(378)**	**727**	
	1,138	**26,765**	

	Transactions for the year	Outstanding balances	Terms and conditions
	2019		
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	5	58	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 0.10% to 5.88% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(38)	350	
Ayala Group	27,306	59,885	
Other related parties	275	736	
	27,548	61,029	
Deposits from:			
Subsidiaries	1,083	9,715	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.21% to 0.26% Savings - 0.55% to 0.58% Time - 3.27% to 5.41%
Associates	1,473	1,887	
Ayala Group	(2,053)	12,921	
Key management personnel	642	1,105	
	1,145	25,628	

	2018		
	Transactions for the year	Outstanding balances	Terms and conditions
	(In Millions of Pesos)		
Loans and advances from:			
Subsidiaries	(81)	53	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 3.87% to 8.25% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	190	387	
Ayala Group	5,026	32,579	
Key management personnel	-	-	
Other related parties	159	461	
	5,294	33,480	
Deposits from:			
Subsidiaries	388	8,631	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.21% to 0.30% Savings - 0.58% to 0.64% Time - 2.33 to 4.67%
Associates	55	414	
Ayala Group	10,446	14,974	
Key management personnel	103	463	
	10,992	24,482	

The aggregate amounts included in the determination of income before income tax (prior to elimination) that resulted from transactions with each class of related parties are as follows:

Consolidated

	2020	2019	2018
	(In Millions of Pesos)		
Interest income			
Subsidiaries	**21**	99	84
Associates	**19**	21	14
Ayala Group	**3,283**	2,867	1,346
Other related parties	**910**	44	20
	4,233	3,031	1,464
Other income			
Subsidiaries	**1,896**	2,260	1,801
Associates	**1,246**	1,511	1,222
Ayala Group	**656**	580	203
	3,798	4,351	3,226
Interest expense			
Subsidiaries	**21**	99	84
Associates	**3**	3	2
Ayala Group	**39**	128	119
Key management personnel	**5**	9	3
	68	239	208
Other expenses			
Subsidiaries	**1,766**	2,148	1,698
Associates	**-**	22	51
Ayala Group	**114**	435	501
	1,880	2,605	2,250
Retirement benefits			
Key management personnel	**56**	51	47
Salaries, allowances and other short-term benefits			
Key management personnel	**966**	871	800
Directors' remuneration	**126**	121	93

Parent

	2020	2019	2018
	(In Millions of Pesos)		
Interest income			
Subsidiaries	**-**	-	1
Associates	**19**	21	14
Ayala Group	**3,283**	2,867	1,346
Other related parties	**390**	44	20
	3,692	2,932	1,381
Other income			
Subsidiaries	**2,019**	2,157	1,620
Associates	**1,139**	1,272	1,035
Ayala Group	**287**	372	137
	3,445	3,801	2,792
Interest expense			
Subsidiaries	**21**	99	84
Associates	**3**	3	2
Ayala Group	**29**	123	98
Key management personnel	**4**	5	3
	57	230	187
Other expenses			
Subsidiaries	**9**	28	145
Ayala Group	**103**	435	501
	112	463	646
Retirement benefits			
Key management personnel	**52**	44	40
Salaries, allowances and other short-term benefits			
Key management personnel	**890**	751	697
Directors' remuneration	**98**	92	77

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**	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Outstanding DOSRI loans	**15,675**	10,026	**15,673**	10,024

As at December 31, 2020, allowance for credit losses amounting to P674 million (2019 - P12 million) have been recognized against receivables from related parties.

Note 26 - Financial Risk Management

The BOD carries out its risk management function through the Risk Management Committee (RMC). The RMC is tasked with nurturing a culture of risk management across the enterprise. The RMC sets the risk appetite; proposes and approves risk management policies, frameworks, and guidelines; and regularly reviews risk management structures, metrics, limits, and issues across the BPI Group, in order to meet and comply with regulatory and international standards on risk measurement and management.

At the management level, the Risk Management Office (RMO) is headed by the Chief Risk Officer (CRO). The CRO is ultimately responsible in leading the formulation of risk management policies and methodologies in alignment with the overall business strategy of BPI, ensuring that risks are prudently and rationally undertaken and within its risk appetite, as well as commensurate and disciplined to maximize returns on shareholders' capital. Risk management is carried out by a dedicated team of skilled risk managers and senior officers who have extensive prior operational experience. BPI's risk managers regularly monitor key risk indicators and report exposures against carefully established financial and business risk metrics and limits approved by the RMC. Finally, independent reviews are regularly conducted by the Internal Audit group and regulatory examiners to ensure that risk controls and mitigants are in place and functioning effectively as intended.

The possibility of incurring losses is, however, compensated by the possibility of earning more than expected income. Risk-taking is, therefore, not entirely negative to be avoided. Risk-taking actions present opportunities if risks are fully identified and accounted, deliberately taken, and are kept within prudent and rationalized limits.

The most important financial risks that the BPI Group manages are credit risk, liquidity risk and market risk.

26.1 Credit risk

The BPI Group takes on exposure to credit risk, which is the risk that may arise if a borrower or counterparty fails to meet its obligations in accordance with agreed terms. Credit risk is the single largest risk for the BPI Group's business; management therefore carefully manages its exposure to credit risk as governed by relevant regulatory requirements and international benchmarks.

The most evident source of credit risk is loans and advances; however, other sources of credit risk exist throughout the activities of the BPI Group, including in credit-related activities recorded in the banking 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 risk. CPRM supports the senior management in coordination with various business lending and operations units in identifying, measuring and managing credit risk.

The BPI Group employs a range of policies and practices to mitigate credit risk. The BPI Group monitors its portfolio based on different segmentation to reflect the acceptable level of diversification and concentration. Concentration risk in credit portfolios is inherent in banking and cannot be totally eliminated. However, said risk may be reduced by adopting proper risk controls and diversification strategies to prevent undue risk concentrations from excessive exposures to particular counterparties, industries, countries or regions.

The BPI Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a regular basis and subjected to annual or more frequent review, when deemed necessary. Limits on large exposures and credit concentration are approved by the BOD through the RMC.

The exposure to any one borrower is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored regularly. Methodologies for measuring credit risk vary depending on several factors, including type of asset, risk measurement parameters and risk management and collection processes. Credit risk measurement is based on the PD of an obligor or counterparty, the loss severity given a default event and the 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. All ECL models are regularly reviewed by the Risk Management Office to ensure that necessary controls are in place and the models are applied accordingly.

The review and validation of ECL models are performed by groups that are independent of the team that prepares the calculations, e.g., Risk Models Validation Unit and Internal Auditors. Expert judgments on measurement methodologies and assumptions are reviewed by a group of internal experts from various functions.

Credit loss estimates are based on estimates of the 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 on the loan that would be realized upon the default and takes into consideration collateral and structural support for each credit facility. The estimation process includes assigning risk ratings to each borrower and credit facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by Credit Risk Management and revised as needed to reflect the borrower's current financial position, risk profile and related collateral. The calculations and assumptions are based on both internal and external historical experience and management judgment and are reviewed regularly.

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 dampen demand for auto and real estate collaterals and thus decrease market prices, so appropriate haircuts were applied on estimated recoveries from collaterals. These haircuts, however, did not increase the BPI Group's LGD as these were offset by the BPI Group's favorable collection experience.

Settlement risk arises in any situation where a payment in cash, securities, foreign exchange currencies, or equities is made in the expectation of a corresponding receipt in cash, securities, foreign exchange currencies, or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the BPI Group's market transactions on any single day. For certain securities, the introduction of the delivery versus payment facility in the local market has brought down settlement risk significantly.

The BPI Group employs specific control and risk mitigation measures, some of which are outlined below:

(a) Collateral or guarantees

One of the most traditional and common practice in mitigating credit risk is requiring security particularly for loans and advances. The BPI Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The BPI Group assesses the valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The common collateral types for loans and advances are:

- Mortgages over physical properties (e.g., real estate and personal);
- Mortgages over financial assets (e.g., guarantees); and
- Margin agreement for derivatives, for which the BPI Group has also entered into master netting agreements.

In order to minimize credit loss, the BPI Group seeks additional collateral from the counterparty when impairment indicators are observed for the relevant individual loans and advances.

The BPI Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collaterals held by the BPI Group since the prior period.

(b) Market Limits

The BPI Group maintains market limits on net open derivative positions (i.e., the difference between purchase and sale contracts). Credit risk is limited to the net current fair value of instruments, which in relation to derivatives is only a portion of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments (except where the BPI Group requires margin deposits from counterparties).

(c) Master netting arrangements

The BPI Group further restricts its exposure to credit losses by entering into master netting arrangements with certain counterparties with which it undertakes 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 or external ratings from reputable credit rating agencies. Specific data about the borrower and loan are collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) and are fed into the internal credit scoring models. In addition, the internal models allow expert judgment from the Credit Risk Rating Committee and consideration of other data inputs not captured into the model in the determination of the final internal credit score for each borrower.

The BPI Group has adopted a credit classification system that aims to identify deteriorating exposures on a timely basis. Exposures are classified into each of the following categories:

- *Standard monitoring* - This category includes accounts which do not have a greater-than-normal risk and do not possess the characteristics of special monitoring and defaulted loans. The counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated.

- *Special monitoring* - This category includes accounts which need closer and frequent monitoring to prevent any further credit deterioration. The counterparty is assessed to be vulnerable to highly vulnerable and its capacity to meet its financial obligations is dependent upon favorable business, financial, and economic conditions.

- *Default* - This category includes accounts which exhibit probable to severe weaknesses wherein probability of non-repayment of loan obligation is ranging from high to extremely high.

i. Corporate (including cross-border loans) and 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 and 14-scale rating system with ten (10) 'pass' rating grades for SME accounts. For cross-border loans, the BPI Group also uses the available external credit ratings issued by reputable rating agencies. The level of risk and associated PD are determined using either the internal credit risk ratings or external credit ratings, as applicable, for corporate loans.

The BPI Group uses the following set of classifications:

	Internal Credit Risk Rating System (ICRRS)		External Credit Rating by reputable rating agencies
Classifications	**Large corporate**	**SME**	**Cross-Border**
Standard monitoring	AAA to B- or unrated and based on prescribed days past due (dpd) threshold	AAA to B- or unrated and based on prescribed dpd threshold	Investment grade (IG) or Non-IG with no significant increase in credit risk (SICR)
Special monitoring	CCC to C or based on prescribed dpd threshold	CCC to C or based on prescribed dpd threshold	Non-IG with SICR but assessed to be non-impaired
Default	Adversely classified accounts (ACA) or based on prescribed dpd threshold or Item in litigation (IL)	ACA or based on prescribed dpd threshold or IL	Default, with objective evidence of impairment

ii. Retail loans

The BPI Group uses automated scoring models to assess the level of risk for retail accounts. Behavioral indicators are considered in conjunction with other forward-looking information (e.g., industry forecast) to assess the level of risk of a loan. After the date of initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score which is mapped to a PD.

Classifications	Credit cards	Personal, auto and housing	SEME*
Standard monitoring	Current to 29 dpd	Current to 30 dpd	Current to 7 dpd
Special monitoring	30 to 89 dpd	31 to 90 dpd	Not applicable
Default	90 dpd and up or IL	>90, IL, Loss	8 dpd and up

**Self-employed micro-entrepreneurs*

iii. Treasury and other investment debt securities

Investments in high grade securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements. The level of credit risk for treasury and other investment debt securities and their associated PD are determined using reputable external ratings and/or available and reliable qualitative and quantitative information. In the absence of credit ratings, a comparable issuer or guarantor rating is used. Should there be a change in the credit rating of the chosen comparable, evaluation is made to ascertain whether the rating change is applicable to the security being assessed for impairment.

Classifications	External credit rating by reputable rating agencies
Standard monitoring	IG or Non-IG with no SICR
Special monitoring	Non-IG with SICR but assessed to be non-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	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Corporate and SME loans, net	**1,143,340**	1,204,950	**1,120,784**	1,167,582
Retail loans, net	**264,073**	270,386	**54,287**	64,194
	1,407,413	1,475,336	**1,175,071**	1,231,776

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

	2020				2019			
	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	941,379	76,645	-	**1,018,024**	1,091,916	28,701	-	1,120,617
Special monitoring	47,630	69,579	-	**117,209**	45,963	41,416	-	87,379
Default	-	-	37,566	**37,566**	-	-	13,091	13,091
Gross amount	**989,009**	**146,224**	**37,566**	**1,172,799**	1,137,879	70,117	13,091	1,221,087
Loss allowance	(12,721)	(6,667)	(10,071)	**(29,459)**	(6,870)	(3,110)	(6,157)	(16,137)
Carrying amount	**976,288**	**139,557**	**27,495**	**1,143,340**	1,131,009	67,007	6,934	1,204,950

Retail loans

	2020				2019			
	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	221,206	28,821	-	**250,027**	251,736	10,638	-	262,374
Special monitoring	88	8,364	-	**8,452**	322	6,764	-	7,086
Default	-	-	22,893	**22,893**	-	-	10,763	10,763
Gross amount	**221,294**	**37,185**	**22,893**	**281,372**	252,058	17,402	10,763	280,223
Loss allowance	(4,282)	(3,530)	(9,487)	**(17,299)**	(3,236)	(1,780)	(4,821)	(9,837)
Carrying amount	**217,012**	**33,655**	**13,406**	**264,073**	248,822	15,622	5,942	270,386

Parent

Corporate and SME loans

	2020				2019			
	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	927,938	76,339	-	**1,004,277**	1,064,720	25,034	-	1,089,754
Special monitoring	45,033	65,005	-	**110,038**	42,297	39,478	-	81,775
Default	-	-	33,922	**33,922**	-	-	9,824	9,824
Gross amount	**972,971**	**141,344**	**33,922**	**1,148,237**	1,107,017	64,512	9,824	1,181,353
Loss allowance	(12,655)	(6,445)	(8,353)	**(27,453)**	(5,972)	(2,990)	(4,809)	(13,771)
Carrying amount	**960,316**	**134,899**	**25,569**	**1,120,784**	1,101,045	61,522	5,015	1,167,582

Retail loans

	2020				2019			
	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	49,855	5,729	-	**55,584**	59,732	4,277	-	64,009
Special monitoring	68	711	-	**779**	183	1,323	-	1,506
Default	-	-	5,267	**5,267**	-	-	3,513	3,513
Gross amount	**49,923**	**6,440**	**5,267**	**61,630**	59,915	5,600	3,513	69,028
Loss allowance	(1,391)	(1,546)	(4,406)	**(7,343)**	(808)	(941)	(3,085)	(4,834)
Carrying amount	**48,532**	**4,894**	**861**	**54,287**	59,107	4,659	428	64,194

The tables below present the gross amount of "Stage 2" loans and advances by age category.

Consolidated

	2020			2019		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	139,146	21,790	**160,936**	68,517	5,999	74,516
Past due up to 30 days	6,573	7,468	**14,041**	505	4,749	5,254
Past due 31 - 90 days	505	7,927	**8,432**	1,095	6,654	7,749
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	146,224	**37,185**	**183,409**	70,117	17,402	87,519

Parent

	2020			2019		
	Corporate and SME loans	Retail loans	**Total**	Corporate and SME loans	Retail loans	Total
			(In Millions of Pesos)			
Current	134,433	4,533	**138,966**	63,673	3,494	67,167
Past due up to 30 days	6,536	1,196	**7,732**	400	783	1,183
Past due 31 - 90 days	375	711	**1,086**	439	1,323	1,762
Past due 91 - 180 days	-	-	**-**	-	-	-
Over 180 days	-	-	**-**	-	-	-
	141,344	**6,440**	**147,784**	64,512	5,600	70,112

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	
	2020	2019	**2020**	2019
		(In Millions of Pesos)		
Due from BSP	**223,989**	207,845	**197,974**	181,815
Due from other banks	**40,155**	22,356	**36,605**	18,356
Interbank loans receivable and SPAR, net	**30,251**	22,570	**26,622**	18,364
Financial assets at FVTPL	**37,140**	24,032	**33,865**	17,688
Financial assets at FVOCI	**126,851**	51,079	**118,623**	47,009
Investment securities at amortized cost, net	**244,653**	275,105	**216,810**	252,006
	703,039	602,987	**630,499**	535,238

Credit quality of treasury and other investment securities, net

Consolidated

	2020				2019			
	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	223,989	-	-	**223,989**	207,845	-	-	207,845
Due from other banks	40,155	-	-	**40,155**	22,356	-	-	22,356
Interbank loans receivable and SPAR	30,245	-	-	**30,245**	22,561	-	-	22,561
Financial assets at FVTPL	37,140	-	-	**37,140**	24,032	-	-	24,032
Financial assets at FVOCI	126,851	-	-	**126,851**	51,079	-	-	51,079
Investment securities at amortized cost	244,666	-	-	**244,666**	275,105	-	-	275,105
Default								
Interbank loans receivable and SPAR	-	-	47	**47**	-	-	49	49
Gross carrying amount	**703,046**	**-**	**47**	**703,093**	602,978	-	49	603,027
Loss allowance	(13)	-	(41)	**(54)**	-	-	(40)	(40)
Carrying amount	**703,033**	**-**	**6**	**703,039**	602,978	-	9	602,987

Parent

	2020				2019			
	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	197,974	-	-	**197,974**	181,815	-	-	181,815
Due from other banks	36,605	-	-	**36,605**	18,356	-	-	18,356
Interbank loans receivable and SPAR	26,616	-	-	**26,616**	18,355	-	-	18,355
Financial assets at FVTPL	33,865	-	-	**33,865**	17,688	-	-	17,688
Financial assets at FVOCI	118,623	-	-	**118,623**	47,009	-	-	47,009
Investment securities at amortized cost	216,823	-	-	**216,823**	252,006	-	-	252,006
Default								
Interbank loans receivable and SPAR	-	-	47	**47**	-	-	49	49
Gross carrying amount	**630,506**	-	**47**	**630,553**	535,229	-	49	535,278
Loss allowance	(13)	-	(41)	**(54)**	-	-	(40)	(40)
Carrying amount	**630,493**	-	**6**	**630,499**	535,229	-	9	535,238

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	
	2020	2019	**2020**	2019
		(In Millions of Pesos)		
Accounts receivable, net	**1,662**	1,509	**1,342**	1,785
Rental deposits	**767**	734	**650**	623
Other accrued interest and fees receivable	**58**	264	**12**	209
Others	**61**	84	**34**	150
	2,548	2,591	**2,038**	2,767

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

	2020				2019			
	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	364,305	2,309	-	**366,614**	389,148	3,608	-	392,756
Special monitoring	10,152	-	-	**10,152**	11,417	-	-	11,417
Default	-	-	590	**590**	-	-	411	411
Gross amount	**374,457**	**2,309**	**590**	**377,356**	400,565	3,608	411	404,584
Loss allowance*	(760)	(119)	(80)	**(959)**	(506)	(104)	(40)	(650)
Carrying amount	**373,697**	**2,190**	**510**	**376,397**	400,059	3,504	371	403,934

**Included in "Miscellaneous liabilities" in Note 17*

Parent

	2020				2019			
	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	358,804	2,183	-	**360,987**	382,750	3,374	-	386,124
Special monitoring	9,934	-	-	**9,934**	11,417	-	-	11,417
Default	-	-	586	**586**	-	-	408	408
Gross amount	**368,738**	**2,183**	**586**	**371,507**	394,167	3,374	408	397,949
Loss allowance*	(738)	(110)	(79)	**(927)**	(488)	(92)	(39)	(619)
Carrying amount	**368,000**	**2,073**	**507**	**370,580**	393,679	3,282	369	397,330

**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

	2020			2019		
	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	37,566	10,071	**27,495**	13,091	6,157	6,934
Retail loans	22,893	9,487	**13,406**	10,763	4,821	5,942
Total credit-impaired assets	**60,459**	**19,558**	**40,901**	23,854	10,978	12,876
Fair value of collateral	**26,531**			11,662		

Parent

	2020			2019		
	Gross exposure	**Impairment allowance**	**Carrying amount**	Gross exposure	Impairment allowance	Carrying amount
			(In Millions of Pesos)			
Credit-impaired assets						
Corporate and SME loans	33,922	8,353	**25,569**	9,824	4,809	5,015
Retail loans	5,267	4,406	**861**	3,513	3,085	428
Total credit-impaired assets	**39,189**	**12,759**	**26,430**	13,337	7,894	5,443
Fair value of collateral	**12,493**			6,354		

The BPI Group acquires assets by taking possession of collaterals held as security for loans and advances.

As at December 31, 2020, the BPI Group's foreclosed collaterals have carrying amount of P2,971 million (2019 - P3,155 million). The related foreclosed collaterals have aggregate fair value of P9,494 million (2019 - P9,583 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 2020, the Parent Bank realized a gain of P53 million (2019 - P84 million) from disposals of foreclosed collaterals with book value of P148 million (2019 - P505 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, 2020	**6,870**	**3,110**	**6,157**	**16,137**
Less: Beginning balance of CTL	(249)	(39)	(325)	(613)
Adjusted loss allowance, at January 1, 2020	**6,621**	**3,071**	**5,832**	**15,524**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(3,608)	5,046	2,827	4,265
Transfer from Stage 2	83	(589)	126	(380)
Transfer from Stage 3	-	-	-	-
New financial assets originated	6,920	-	-	6,920
Financial assets derecognized during the year	(1,375)	(1,108)	(391)	(2,874)
Changes in assumptions and other movements in provision	5,925	(110)	661	6,476
	7,945	3,239	3,223	14,407
Write-offs and other movements	(1,845)	357	1,016	(472)
Loss allowance, at December 31, 2020	**12,721**	**6,667**	**10,071**	**29,459**

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, 2020	**3,236**	**1,780**	**4,821**	**9,837**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,138)	2,697	5,362	6,921
Transfer from Stage 2	100	(1,014)	1,586	672
Transfer from Stage 3	3	33	(113)	(77)
New financial assets originated	2,000	-	-	2,000
Financial assets derecognized during the year	(68)	(99)	(314)	(481)
Changes in assumptions and other movements in provision	2,023	101	1,428	3,552
	2,920	1,718	7,949	12,587
Write-offs and other movements	(1,874)	32	(3,283)	(5,125)
Loss allowance, at December 31, 2020	**4,282**	**3,530**	**9,487**	**17,299**

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, 2020	**5,972**	**2,990**	**4,809**	**13,771**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(3,409)	4,865	2,801	4,257
Transfer from Stage 2	81	(569)	126	(362)
Transfer from Stage 3	-	-	-	-
New financial assets originated	6,657	-	-	6,657
Financial assets derecognized during the year	(1,336)	(1,095)	(263)	(2,694)
Changes in assumptions and other movements in provision	5,929	(111)	302	6,120
	7,922	3,090	2,966	13,978
Write-offs and other movements	(1,239)	365	578	(296)
Loss allowance, at December 31, 2020	**12,655**	**6,445**	**8,353**	**27,453**

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, 2020	**808**	**941**	**3,085**	**4,834**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(273)	1,186	3,004	3,917
Transfer from Stage 2	79	(646)	921	354
Transfer from Stage 3	2	1	(42)	(39)
New financial assets originated	201	-	-	201
Financial assets derecognized during the year	(15)	(47)	(227)	(289)
Changes in assumptions and other movements in provision	589	111	1,410	2,110
	583	605	5,066	6,254
Write-offs and other movements	-	-	(3,745)	(3,745)
Loss allowance, at December 31, 2020	**1,391**	**1,546**	**4,406**	**7,343**

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, 2019	**5,768**	**1,843**	**5,728**	**13,339**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,072)	2,707	1,691	2,326
Transfer from Stage 2	6	(680)	291	(383)
Transfer from Stage 3	10	2	(177)	(165)
New financial assets originated	3,688	-	-	3,688
Financial assets derecognized during the year	(1,959)	(295)	(1,203)	(3,457)
Changes in assumptions and other movements in provision	1,521	(508)	70	1,083
	1,194	1,226	672	3,092
Write-offs and other movements	(92)	41	(243)	(294)
Loss allowance, at December 31, 2019	**6,870**	**3,110**	**6,157**	**16,137**

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, 2019	**4,114**	**1,405**	**4,044**	**9,563**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,031)	1,418	2,456	2,843
Transfer from Stage 2	33	(716)	559	(124)
Transfer from Stage 3	3	33	(161)	(125)
New financial assets originated	1,070	-	-	1,070
Financial assets derecognized during the year	(308)	(115)	(339)	(762)
Changes in assumptions and other movements in provision	(613)	(190)	882	79
	(846)	430	3,397	2,981
Write-offs and other movements	(32)	(55)	(2,620)	(2,707)
Loss allowance, at December 31, 2019	**3,236**	**1,780**	**4,821**	**9,837**

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, 2019	**5,108**	**1,734**	**4,299**	**11,141**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,846)	2,614	1,360	2,128
Transfer from Stage 2	3	(658)	251	(404)
Transfer from Stage 3	6	1	(88)	(81)
New financial assets originated	3,450	-	-	3,450
Financial assets derecognized during the period	(1,844)	(279)	(842)	(2,965)
Changes in assumptions and other movements in provision	1,205	(469)	23	759
	974	1,209	704	2,887
Write-offs and other movements	(110)	47	(194)	(257)
Loss allowance, at December 31, 2019	**5,972**	**2,990**	**4,809**	**13,771**

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, 2019	**1,839**	**482**	**2,505**	**4,826**
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(558)	877	1,749	2,068
Transfer from Stage 2	11	(286)	350	75
Transfer from Stage 3	-	1	(9)	(8)
New financial assets originated	217	-	-	217
Financial assets derecognized during the period	(36)	(41)	(205)	(282)
Changes in assumptions and other movements in provision	(667)	(41)	762	54
	(1,033)	510	2,647	2,124
Write-offs and other movements	2	(51)	(2,067)	(2,116)
Loss allowance, at December 31, 2019	**808**	**941**	**3,085**	**4,834**

Critical accounting estimate and judgment - Measurement of expected credit loss for loans and advances

The measurement of the expected credit loss (ECL) for loans and advances is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). The explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 30.3.2.2.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for SICR;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; 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 regulatory, legislative or political changes is likewise considered, 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, 2020

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	7.4	5.9	8.4	6.9	5.4	3.9
Inflation rate (%)	3.0	2.5	2.0	1.5	4.7	3.5
BVAL 5Y (%)	3.0	3.6	2.5	3.1	5.5	6.1
US Treasury 5Y (%)	0.5	0.5	0.7	0.7	0.3	0.3
Exchange rate	49.848	53.780	48.375	49.672	51.340	58.171

At December 31, 2019

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	6.3	6.6	6.6	7.2	0.0	4.2
Inflation rate (%)	3.0	3.1	2.7	2.4	11.0	5.9
BVAL 5Y (%)	4.5	4.7	4.0	4.3	11.2	10.3
US Treasury 5Y (%)	2.5	2.5	2.8	3.4	1.4	1.3
Exchange rate	52.300	54.874	51.550	52.856	56.970	62.653

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 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 P23 million as at December 31, 2020 from the baseline scenario (2019 - P554 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 months expected credit losses to lifetime expected credit losses, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in expected credit losses. Assuming all Stage 2 accounts are considered as Stage 1, allowance for impairment would have decreased by P1,839 million as at December 31, 2020 (2019 - P1,312 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, 2020)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Allowance	Total
				(In Millions of Pesos)			
Due from BSP	223,989	-	-	-	-	-	**223,989**
Due from other banks	40,155	-	-	-	-	-	**40,155**
Interbank loans receivable and SPAR	30,292	-	-	-	-	(41)	**30,251**
Financial assets at FVTPL	7,199	-	-	-	29,941	-	**37,140**
Financial assets at FVOCI	10,691	3,307	-	1,881	110,972	-	**126,851**
Investment securities at amortized cost	43,342	1,784	2,081	1,083	196,376	(13)	**244,653**
Loans and advances	129,101	116,525	217,675	369,704	621,166	(46,758)	**1,407,413**
Other financial assets	-	-	-	-	3,531	(983)	**2,548**
At December 31, 2020	**484,769**	**121,616**	**219,756**	**372,668**	**961,986**	**(47,795)**	**2,113,000**

Consolidated (December 31, 2019)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Allowance	Total
				(In Millions of Pesos)			
Due from BSP	207,845	-	-	-	-	-	207,845
Due from other banks	22,356	-	-	-	-	-	22,356
Interbank loans receivable and SPAR	22,610	-	-	-	-	(40)	22,570
Financial assets at FVTPL	6,620	27	1	6	17,378	-	24,032
Financial assets at FVOCI	5,034	-	-	258	45,787	-	51,079
Investment securities at amortized cost	58,564	1,258	4,595	3,189	207,499	-	275,105
Loans and advances	162,335	124,841	229,745	365,874	618,515	(25,974)	1,475,336
Other financial assets	-	-	-	-	3,423	(832)	2,591
At December 31, 2019	485,364	126,126	234,341	369,327	892,602	(26,846)	2,080,914

Parent Bank (December 31, 2020)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Allowance	Total
				(In Millions of Pesos)			
Due from BSP	197,974	-	-	-	-	-	**197,974**
Due from other banks	36,605	-	-	-	-	-	**36,605**
Interbank loans receivable and SPAR	26,663	-	-	-	-	(41)	**26,622**
Financial assets at FVTPL	5,081	-	-	-	28,784	-	**33,865**
Financial assets at FVOCI	10,321	3,307	-	1,881	103,114	-	**118,623**
Investment securities at amortized cost	34,749	1,185	1,743	1,083	178,063	(13)	**216,810**
Loans and advances	127,929	61,909	215,238	218,201	586,590	(34,796)	**1,175,071**
Other financial assets	-	-	-	-	2,860	(822)	**2,038**
At December 31, 2020	**439,322**	**66,401**	**216,981**	**221,165**	**899,411**	**(35,672)**	**1,807,608**

Parent Bank (December 31, 2019)

	Financial institutions	Consumer	Manufacturing	Real estate	Others	Allowance	Total
				(In Millions of Pesos)			
Due from BSP	181,815	-	-	-	-	-	181,815
Due from other banks	18,356	-	-	-	-	-	18,356
Interbank loans receivable and SPAR	18,404	-	-	-	-	(40)	18,364
Financial assets at FVTPL	3,041	110	56	-	14,481	-	17,688
Financial assets at FVOCI	4,714	-	-	258	42,037	-	47,009
Investment securities at amortized cost	56,942	585	4,595	3,189	186,695	-	252,006
Loans and advances	161,348	68,302	226,235	222,217	572,279	(18,605)	1,231,776
Other financial assets	-	-	-	-	3,076	(309)	2,767
At December 31, 2019	444,620	68,997	230,886	225,664	818,568	(18,954)	1,769,781

26.2 Market risk

The BPI Group is exposed to market risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is managed by the RMO guided by policies and procedures approved by the RMC and confirmed by the Executive Committee/BOD.

Market risk management is incumbent on the BOD through the RMC. Market risk management in BPI covers managing exposures to trading risk, foreign exchange risk, counterparty credit risk, interest rate risk of the banking book and liquidity risk. At the management level, the BPI Group's market risk exposures are managed by the RMO, headed by the Parent Bank's CRO who reports directly to the RMC. In addition, the Internal Audit is responsible for the independent review of risk assessment measures and procedures and the control environment.

The BPI Group reviews and controls market risk exposures of both its trading and non-trading portfolios. Trading portfolios include those positions arising from the BPI Group's market-making activities. Non-trading portfolios include positions arising from core banking activities, which includes the BPI Group's retail and commercial banking assets and liabilities.

The BPI Group has derivatives exposures in interest rate swaps, currency swaps and structured notes as part of its trading and position taking activities.

Value-at-Risk (VaR) measurement is an integral part of the BPI Group's market risk control system. This metric estimates, at 99% confidence level, the maximum loss that a trading portfolio may incur over a trading day. This metric indicates as well that there is 1% statistical probability that the trading portfolios' actual loss would be greater than the computed VaR. In order to ensure model soundness, the VaR is periodically subject to model validation and back testing. VaR is supplemented by other risk metrics and measurements that would provide preliminary signals to Treasury and to the management to assess the vulnerability of 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 stress testing (e.g., price risk, interest rate risk in the banking book and liquidity risk) 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	
	2020	2019	**2020**	2019
		(In Millions of Pesos)		
Local fixed-income	**63**	92	**62**	91
Foreign fixed-income	**68**	127	**58**	120
Foreign exchange	**52**	45	**5**	10
Derivatives	**100**	127	**100**	127
Equity securities	**31**	30	**-**	-
Mutual fund	**-**	5	**-**	-
	314	426	**225**	348

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 US Dollar (USD), shown in their Peso equivalent at December 31:

Consolidated

	2020			2019		
	USD	Others*	**Total**	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	2,440	410	**2,850**	3,060	285	3,345
Due from other banks	32,976	4,342	**37,318**	16,126	1,583	17,709
Interbank loans receivable and SPAR	9,353	-	**9,353**	813	132	945
Financial assets at FVTPL	8,009	1,154	**9,163**	9,149	178	9,327
Financial assets at FVOCI - debt securities	39,691	1,046	**40,737**	16,977	-	16,977
Investment securities at amortized cost	102,826	1,098	**103,924**	127,442	1,414	128,856
Loans and advances, net	120,709	10,406	**131,115**	149,012	7,621	156,633
Others financial assets	3,274	113	**3,387**	13,746	1,697	15,443
Total financial assets	**319,278**	**18,569**	**337,847**	336,325	12,910	349,235
Financial liabilities						
Deposit liabilities	238,496	11,323	**249,819**	228,362	6,130	234,492
Derivative financial liabilities	3,209	165	**3,374**	1,438	75	1,513
Bills payable	66,038	5,998	**72,036**	80,817	482	81,299
Due to BSP and other banks	868	-	**868**	942	-	942
Manager's checks and demand drafts outstanding	235	5	**240**	316	10	326
Other financial liabilities	3,960	125	**4,085**	17,749	1,668	19,417
Accounts payable	136	85	**221**	129	13	142
Total financial liabilities	**312,942**	**17,701**	**330,643**	329,753	8,378	338,131
Net on-balance sheet position	**6,336**	**868**	**7,204**	6,572	4,532	11,104

**Others category includes financial instruments denominated in JPY, EUR and GBP.*

Parent Bank

	2020			2019		
	USD	Others*	Total	USD	Others*	Total
			(In Millions of Pesos)			
Financial assets						
Cash and other cash items	2,267	405	**2,672**	2,858	284	3,142
Due from other banks	31,912	3,396	**35,308**	14,556	1,553	16,109
Interbank loans receivable and SPAR	9,353	-	**9,353**	-	-	-
Financial assets at FVTPL	7,639	1,094	**8,733**	6,807	78	6,885
Financial assets at FVOCI - debt securities	36,001	1,027	**37,028**	15,030	-	15,030
Investment securities at amortized cost	90,870	136	**91,006**	117,006	145	117,151
Loans and advances, net	117,208	8,990	**126,198**	147,803	7,148	154,951
Others financial assets	8,417	145	**8,562**	13,445	1,566	15,011
Total financial assets	**303,667**	**15,193**	**318,860**	317,505	10,774	328,279
Financial liabilities						
Deposit liabilities	224,134	9,526	**233,660**	214,389	5,965	220,354
Derivative financial liabilities	3,209	165	**3,374**	1,438	75	1,513
Bills payable	64,567	5,415	**69,982**	77,749	-	77,749
Due to BSP and other banks	868	-	**868**	942	-	942
Manager's checks and demand drafts outstanding	232	5	**237**	314	10	324
Other financial liabilities	3,797	8,874	**12,671**	17,817	1,588	19,405
Accounts payable	60	3	**63**	121	12	133
Total financial liabilities	**296,867**	**23,988**	**320,855**	312,770	7,650	320,420
Net on-balance sheet position	**6,800**	**(8,795)**	**(1,995)**	4,735	3,124	7,859

**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)	
2020	**+/- 2.29%**	**-/+ 589**	**-/+ 656**
2019	+/- 1.24%	-/+ 81	-/+ 59

26.2.2 Interest rate risk

Interest rate risk is the risk that cash flows or fair value of a financial instrument will fluctuate due to movements in market interest rates. Interest rate risk in the banking book arises from the BPI Group's core banking activities. The BPI Group is subject to re-pricing risk arising from financial assets and liabilities that have different maturities and are re-priced taking into account the prevailing market interest rates.

The BPI Group employs two methods to measure the potential impact of interest rate risk: (i) one that focuses on the economic value of the banking book, and (ii) one that focuses on net interest earnings. The RMC sets limits on the two interest rate risk metrics which are monitored monthly by the Market Risk Division of the RMO.

Interest rate risk in the banking book

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. 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 has established comprehensive risk management policies, procedures, risk limits structures and employs risk measurement models supported by a robust risk management system.

Interest rate exposures from core banking activities are measured using the following earnings-based and economic value-based models: (a) Earnings-at-Risk (EaR) measures the potential deterioration in net interest income over the next 12 months due to adverse movements in interest rates, and (b) Balance Sheet Value-at-Risk (BS VaR) measures the impact on the economic value of the future cash flows in the banking book due to changes in interest rates.

Earnings-at-Risk (EaR)

The EaR is built on repricing profile of the 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 months as earnings are affected when interest rate moved against the BPI Group's position. As of December 31, 2020, the net interest income impact of movement in interest rates amounts to P5,174 million (2019 - P2,424 million) for the whole BPI Group and P4,614 million (2019 - P1,986 million) for the Parent Bank.

Balance Sheet Value-at-Risk (BSVaR)

The BS VaR model is also built on repricing gap or the difference between the amount of rate-sensitive financial assets and liabilities which considers both principal and interest payments. It is the present value of the BPI Group's expected net cash flows based on the current interest rates. As at December 31, the average BSVaR, computed on a monthly basis, for the banking book stood at P21,251 million (2019 - P13,754 million) for the whole BPI Group and P17,397 million (2019 - P9,530 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 Risk Management Committee (RMC). The BPI Group manages interest rate exposures related to its assets and liabilities through a transfer-pricing system administered by Treasury. Investment securities and interest rate derivatives are also used to hedge interest rate risk and manage repricing gaps in the balance sheet.

The BPI Group also conducts price stress tests in the banking book and EaR stress tests for a variety of interest rate shock scenarios to identify the impact of adverse movements in interest rates on the BPI Group's economic value and earnings. The design of the price and EaR stress tests include steepening and flattening yield curves, parallel up/down and short rate up/down shocks. The interest rate shocks applied is calibrated for all major currencies in which the BPI Group has significant positions. The results of the stress test are reported to the RMC and Senior Management and are integrated into the overall risk management framework of the BPI Group.

The risk management process, including its various components, is subject to periodic independent review (i.e. internal audit and model validation) and consistently calibrated to ensure accuracy, relevance, propriety and timeliness of data and assumptions employed. The assumptions and parameters used in building these metrics are properly documented. Any changes in the methodology and assumptions used are duly approved by the Chief Risk Officer and noted by the RMC.

The table below summarizes the BPI Group's exposure to interest rate risk, categorized by the earlier of contractual repricing or maturity dates.

Consolidated (December 31, 2020)

	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, 2020					
Financial Assets					
Cash and other cash items	-	-	-	37,176	**37,176**
Due from BSP	-	-	-	223,989	**223,989**
Due from other banks	-	-	-	40,155	**40,155**
Interbank loans receivable and SPAR	-	-	-	30,251	**30,251**
Financial assets at FVTPL	188	1,790	1,108	34,054	**37,140**
Financial assets at FVOCI	-	-	-	126,851	**126,851**
Investment securities at amortized cost	-	-	-	244,653	**244,653**
Loans and advances, net	490,534	218,351	590,879	107,649	**1,407,413**
Other financial assets	-	-	-	2,548	**2,548**
Total financial assets	**490,722**	**220,141**	**591,987**	**847,326**	**2,150,176**
Financial Liabilities					
Deposit liabilities	731,596	407,805	576,776	-	**1,716,177**
Derivative financial liabilities	193	1,752	1,207	2,505	**5,657**
Bills payable and other borrowed funds	2,054	9,571	-	140,322	**151,947**
Due to BSP and other banks	-	-	-	1,491	**1,491**
Manager's checks and demand drafts outstanding	-	-	-	7,108	**7,108**
Other financial liabilities	-	-	-	10,694	**10,694**
Total financial liabilities	**733,843**	**419,128**	**577,983**	**162,120**	**1,893,074**
Total interest gap	**(243,121)**	**(198,987)**	**14,004**	**685,206**	**257,102**

Consolidated (December 31, 2019)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
	(In Millions of Pesos)				
As at December 31, 2019					
Financial Assets					
Cash and other cash items	-	-	-	47,256	47,256
Due from BSP	-	-	-	207,845	207,845
Due from other banks	-	-	-	22,356	22,356
Interbank loans receivable and SPAR	-	-	-	22,570	22,570
Financial assets at FVTPL	334	472	1,050	22,176	24,032
Financial assets at FVOCI	-	-	-	51,079	51,079
Investment securities at amortized cost	-	-	-	275,105	275,105
Loans and advances, net	890,934	136,779	311,924	135,699	1,475,336
Other financial assets	-	-	-	2,591	2,591
Total financial assets	891,268	137,251	312,974	786,677	2,128,170
Financial Liabilities					
Deposit liabilities	796,447	359,265	539,631	-	1,695,343
Derivative financial liabilities	81	397	936	1,463	2,877
Bills payable and other borrowed funds	-	15,415	-	135,422	150,837
Due to BSP and other banks	-	-	-	2,946	2,946
Manager's checks and demand drafts outstanding	-	-	-	8,299	8,299
Other financial liabilities	-	-	-	9,392	9,392
Total financial liabilities	796,528	375,077	540,567	157,522	1,869,694
Total interest gap	94,740	(237,826)	(227,593)	629,155	258,476

Parent Bank (December 31, 2020)

	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, 2020					
Financial Assets					
Cash and other cash items	-	-	-	35,912	**35,912**
Due from BSP	-	-	-	197,974	**197,974**
Due from other banks	-	-	-	36,605	**36,605**
Interbank loans receivable and SPAR	-	-	-	26,622	**26,622**
Financial assets at FVTPL	188	1,791	1,108	30,778	**33,865**
Financial assets at FVOCI	-	-	-	118,623	**118,623**
Investment securities at amortized cost	-	-	-	216,810	**216,810**
Loans and advances, net	431,004	161,565	544,112	38,390	**1,175,071**
Other financial assets	-	-	-	2,038	**2,038**
Total financial assets	**431,192**	**163,356**	**545,220**	**703,752**	**1,843,520**
Financial Liabilities					
Deposit liabilities	646,179	331,517	492,514	-	**1,470,210**
Derivative financial liabilities	193	1,752	1,207	2,505	**5,657**
Bills payable and other borrowed funds	-	9,571	-	130,777	**140,348**
Due to BSP and other banks	-	-	-	1,491	**1,491**
Manager's checks and demand drafts outstanding	-	-	-	5,447	**5,447**
Other financial liabilities	-	-	-	5,924	**5,924**
Total financial liabilities	**646,372**	**342,840**	**493,721**	**146,144**	**1,629,077**
Total interest gap	**(215,180)**	**(179,484)**	**51,499**	**557,608**	**214,443**

Parent Bank (December 31, 2019)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
	(In Millions of Pesos)				
As at December 31, 2019					
Financial Assets					
Cash and other cash items	-	-	-	45,982	45,982
Due from BSP	-	-	-	181,815	181,815
Due from other banks	-	-	-	18,356	18,356
Interbank loans receivable and SPAR	-	-	-	18,364	18,364
Financial assets at FVTPL	334	472	1,050	15,832	17,688
Financial assets at FVOCI	-	-	-	47,009	47,009
Investment securities at amortized cost	-	-	-	252,006	252,006
Loans and advances, net	824,718	90,806	257,603	58,649	1,231,776
Other financial assets	-	-	-	2,767	2,767
Total financial assets	825,052	91,278	258,653	640,780	1,815,763
Financial Liabilities					
Deposit liabilities	711,910	301,381	443,167	-	1,456,458
Derivative financial liabilities	81	397	936	1,463	2,877
Bills payable and other borrowed funds	-	15,118	-	111,411	126,529
Due to BSP and other banks	-	-	-	2,946	2,946
Manager's checks and demand drafts outstanding	-	-	-	6,421	6,421
Other financial liabilities	-	-	-	4,801	4,801
Total financial liabilities	711,991	316,896	444,103	127,042	1,600,032
Total interest gap	113,061	(225,618)	(185,450)	513,738	215,731

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. HQLAs therefore, serve as defense against potential stress events.

The main drivers of the Parent Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits, unsecured borrowings, committed and/or uncommitted facilities, derivatives cash flows and cash inflows from maturing corporate, business and retail loans, among others. Cash outflows from derivatives contracts are effectively offset by derivatives cash inflows. These two are accorded 100% outflow and inflow factors, respectively.

Net Stable Funding Ratio (NSFR)

On January 1, 2019, the Parent Bank adopted BSP Circular No. 1007 issued in 2018 regarding the NSFR requirement. The NSFR is aimed at strengthening the Parent Bank's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items as well as to limit the maturity transformation risk of the BPI Group. The NSFR is expressed as the ratio of available stable funding and the required stable funding and complements the LCR as it takes a longer view of the BPI Group's liquidity risk profile. The BPI Group's capital, retail deposits and long-term debt are considered as stable funding sources whereas the BPI Group's assets including, but not limited to, performing and non-performing loans and receivables, HQLA and non-HQLA securities as well as off-balance items form part of the required stable funding. The Parent Bank's solo and consolidated NSFRs are well-above the regulatory minimum of 100%.

The Parent Bank maintains a well-diversified funding base and has a substantial amount of core deposits, thereby avoiding undue concentrations by counterparty, maturity, and currency. The Parent Bank manages its liquidity position through asset-liability management activities supported by a well-developed funds management practice as well as a sound risk management system. As part of risk oversight, the Parent Bank monitors its liquidity risk on a daily basis, in terms of single currency and significant currencies, to ensure it is operating within the risk appetite set by the BOD and to assess ongoing compliance with the minimum requirement of the liquidity ratios. Furthermore, the Parent Bank has a set of policies and escalation procedures in place that govern its day-to-day risk monitoring and reporting processes.

The table below shows the actual liquidity metrics of the BPI Group and the Parent Bank:

	Consolidated		Parent	
	2020	2019	**2020**	2019
Liquidity coverage ratio	**231.86%**	167.06%	**240.40%**	168.13%
Net stable funding ratio	**153.58%**	130.74%	**153.13%**	122.65%
Leverage ratio	**10.92%**	10.70%	**10.61%**	10.06%
Total exposure measure	**2,262,656**	2,224,550	**1,924,061**	1,887,364

The improvement in the Parent Bank's LCR in 2020 was primarily driven by the increase in reportable amount of HQLA as excess liquidity and funding obtained by the Parent Bank were deployed to government securities classified as unencumbered and of high quality under LCR rules. Cash, reserves and due from BSP make up 46% of the total stock of HQLA for the year ended December 31, 2020.

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.

<u>Consolidated (December 31, 2020)</u>

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2020				
Financial Assets				
Cash and other cash items	37,176	-	-	**37,176**
Due from BSP	223,989	-	-	**223,989**
Due from other banks	40,155	-	-	**40,155**
Interbank loans receivable and SPAR	30,345	14	87	**30,446**
Financial assets at FVTPL	21,637	1,010	11,093	**33,740**
Financial assets at FVOCI	45,333	19,051	70,602	**134,986**
Investment securities at amortized cost	53,430	84,155	123,368	**260,953**
Loans and advances, net	621,097	318,461	605,102	**1,544,660**
Other financial assets	2,548	-	-	**2,548**
Total financial assets	1,075,710	422,691	810,252	**2,308,653**
Financial Liabilities				
Deposit liabilities	731,729	408,122	577,286	**1,717,137**
Bills payable and other borrowed funds	84,810	25,197	43,132	**153,139**
Due to BSP and other banks	1,491	-	-	**1,491**
Manager's checks and demand drafts outstanding	7,108	-	-	**7,108**
Lease liabilities	2,098	3,299	4,278	**9,675**
Other financial liabilities	10,694	-	-	**10,694**
Total financial liabilities	**837,930**	**436,618**	**624,696**	**1,899,244**
Total maturity gap	**237,780**	**(13,927)**	**185,556**	**409,409**

<u>Consolidated (December 31, 2019)</u>

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2019				
Financial Assets				
Cash and other cash items	47,256	-	-	47,256
Due from BSP	207,845	-	-	207,845
Due from other banks	22,356	-	-	22,356
Interbank loans receivable and SPAR	22,551	17	114	22,682
Financial assets at FVTPL	6,862	1,558	16,756	25,176
Financial assets at FVOCI	10,575	8,161	47,820	66,556
Investment securities at amortized cost	46,278	84,560	221,296	352,134
Loans and advances, net	656,088	267,511	581,062	1,504,661
Other financial assets	2,591	-	-	2,591
Total financial assets	1,022,402	361,807	867,048	2,251,257
Financial Liabilities				
Deposit liabilities	796,447	359,265	539,631	1,695,343
Bills payable and other borrowed funds	49,564	57,590	46,207	153,361
Due to BSP and other banks	2,946	-	-	2,946
Manager's checks and demand drafts outstanding	8,299	-	-	8,299
Lease liabilities	1,976	3,470	4,719	10,165
Other financial liabilities	9,392	-	-	9,392
Total financial liabilities	868,624	420,325	590,557	1,879,506
Total maturity gap	153,778	(58,518)	276,491	371,751

Parent Bank (December 31, 2020)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2020				
Financial Assets				
Cash and other cash items	35,912	-	-	**35,912**
Due from BSP	197,974	-	-	**197,974**
Due from other banks	36,605	-	-	**36,605**
Interbank loans receivable and SPAR	26,716	14	87	**26,817**
Financial assets at FVTPL	18,566	915	11,055	**30,536**
Financial assets at FVOCI	43,863	18,633	63,680	**126,176**
Investment securities at amortized cost	39,940	79,680	112,647	**232,267**
Loans and advances, net	556,706	232,501	428,088	**1,217,295**
Other financial assets, net	2,038	-	-	**2,038**
Total financial assets	**958,320**	**331,743**	**615,557**	**1,905,620**
Financial Liabilities				
Deposit liabilities	646,279	331,570	492,702	**1,470,551**
Bills payable and other borrowed funds	82,343	14,995	43,132	**140,470**
Due to BSP and other banks	1,491	-	-	**1,491**
Manager's checks and demand drafts outstanding	5,447	-	-	**5,447**
Lease liabilities	1,676	2,469	3,765	**7,910**
Other financial liabilities	5,924	-	-	**5,924**
Total financial liabilities	**743,160**	**349,034**	**539,599**	**1,631,793**
Total maturity gap	**215,160**	**(17,291)**	**75,958**	**273,827**

Parent Bank (December 31, 2019)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
		(In Millions of Pesos)		
As at December 31, 2019				
Financial Assets				
Cash and other cash items	45,982	-	-	45,982
Due from BSP	181,815	-	-	181,815
Due from other banks	18,356	-	-	18,356
Interbank loans receivable and SPAR	18,245	17	114	18,376
Financial assets at FVTPL	926	1,522	15,612	18,060
Financial assets at FVOCI	5,023	8,074	45,980	59,077
Investment securities at amortized cost	25,347	76,282	209,930	311,559
Loans and advances, net	605,833	196,549	449,524	1,251,906
Other financial assets, net	2,767	-	-	2,767
Total financial assets	904,294	282,444	721,160	1,907,898
Financial Liabilities				
Deposit liabilities	711,910	301,381	443,167	1,456,458
Bills payable and other borrowed funds	36,025	45,421	45,988	127,434
Due to BSP and other banks	2,946	-	-	2,946
Manager's checks and demand drafts outstanding	6,421	-	-	6,421
Lease liabilities	1,589	2,707	4,059	8,355
Other financial liabilities	4,801	-	-	4,801
Total financial liabilities	763,692	349,509	493,214	1,606,415
Total maturity gap	140,602	(67,065)	227,946	301,483

26.3.3 Maturity profile - Derivative instruments

(a) Derivatives settled on a net basis

The BPI Group's derivatives that are settled on a net basis consist of interest rate swaps, non-deliverable forwards and non-deliverable swaps. The table below presents the contractual undiscounted cash flows of interest rate swaps based on the remaining period from December 31 to the contractual maturity dates that are subject to offsetting, enforceable master netting arrangements and similar agreements.

Consolidated and Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2020		(In Millions of Pesos)		
Interest rate swap contracts - held for trading				
- Inflow	188	1,792	1,108	3,088
- Outflow	(193)	(1,752)	(1,207)	(3,152)
- Net inflow	**(5)**	**40**	**(99)**	**(64)**
Non-deliverable forwards and swaps - held for trading				
- Inflow	13	-	-	13
- Outflow	(679)	(794)	(287)	(1,760)
- Net outflow	**(666)**	**(794)**	**(287)**	**(1,747)**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2019		(In Millions of Pesos)		
Interest rate swap contracts - held for trading				
- Inflow	334	472	1,050	1,856
- Outflow	(81)	(397)	(936)	(1,414)
- Net inflow	253	75	114	442
Non-deliverable forwards and swaps - held for trading				
- Inflow	22	-	-	22
- Outflow	(107)	(484)	(356)	(947)
- Net outflow	(85)	(484)	(356)	(925)

(b) Derivatives settled on a gross basis

The BPI Group's derivatives that are settled on a gross basis include foreign exchange derivatives mainly currency forwards and currency swaps. The table below presents the contractual undiscounted cash flows of foreign exchange derivatives based on the remaining period from reporting date to the contractual maturity dates.

Consolidated

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2020		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	1,168	188	42	1,398
- Outflow	(740)	(1)	(4)	(745)
- Net inflow	**428**	**187**	**38**	**653**
Foreign exchange derivatives - held for hedging				
- Inflow	278	-	-	**278**
- Outflow	-	-	-	-
- Net outflow	**278**	**-**	**-**	**278**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2019		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	527	509	8	1,044
- Outflow	(451)	(2)	-	(453)
- Net inflow	76	507	8	591
Foreign exchange derivatives - held for hedging				
- Inflow	-	-	-	-
- Outflow	-	(63)	-	(63)
- Net outflow	-	(63)	-	(63)

Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2020		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	1,106	188	42	1,336
- Outflow	(740)	(1)	(4)	(745)
- Net inflow	**366**	**187**	**38**	**591**
Foreign exchange derivatives - held for hedging				
- Inflow	278	-	-	**278**
- Outflow	-	-	-	-
- Net outflow	**278**	-	-	**278**

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2019		(In Millions of Pesos)		
Foreign exchange derivatives - held for trading				
- Inflow	527	509	8	1,044
- Outflow	(451)	(2)	-	(453)
- Net inflow	76	507	8	591
Foreign exchange derivatives - held for hedging				
- Inflow	-	-	-	-
- Outflow	-	(63)	-	(63)
- Net outflow	-	(63)	-	(63)

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, 2020)

	Carrying Amount	Fair value Level 1	Level 2	**Total**
Recurring measurements:		(In Millions of Pesos)		
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	4,788	-	4,788	**4,788**
Trading assets				
- Debt securities	32,352	30,307	2,045	**32,352**
- Equity securities	70	70	-	**70**
Financial assets at FVOCI				
- Debt securities	126,851	126,765	86	**126,851**
- Equity securities	3,335	1,784	1,551	**3,335**
	167,396	158,926	8,470	**167,396**
Financial liabilities				
Derivative financial liabilities	5,657	-	5,657	**5,657**
Non-recurring measurements				
Assets held for sale, net	2,971	-	9,494	**9,494**

Consolidated (December 31, 2019)

	Carrying Amount	Fair value Level 1	Level 2	Total
Recurring measurements:		(In Millions of Pesos)		
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	2,933	-	2,933	2,933
Trading assets				
- Debt securities	21,099	17,562	3,537	21,099
- Equity securities	73	73	-	73
Financial assets at FVOCI				
- Debt securities	51,079	50,995	84	51,079
- Equity securities	2,826	1,738	1,088	2,826
	78,010	70,368	7,642	78,010
Financial liabilities				
Derivative financial liabilities	2,877	-	2,877	2,877
Non-recurring measurements:				
Assets held for sale, net	3,155	-	9,583	9,583

Parent Bank (December 31, 2020)

	Carrying Amount	Fair value Level 1	Level 2	**Total**
Recurring measurements		(In Millions of Pesos)		
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	4,716	-	4,716	**4,716**
Trading securities - debt securities	29,149	29,149	-	**29,149**
Financial assets at FVOCI				
- Debt securities	118,623	118,623	-	**118,623**
- Equity securities	1,677	1,370	307	**1,677**
	154,165	149,142	5,023	**154,165**
Financial liabilities				
Derivative financial liabilities	5,657	-	5,657	**5,657**
Non-recurring measurements				
Assets held for sale, net	357	-	3,439	**3,439**

Parent Bank (December 31, 2019)

	Carrying Amount	Fair value Level 1	Level 2	Total
Recurring measurements		(In Millions of Pesos)		
Financial assets				
Financial assets at FVTPL				
Derivative financial assets	2,923	-	2,923	2,923
Trading securities - debt securities	14,765	14,765	-	14,765
Financial assets at FVOCI				
- Debt securities	47,009	47,009	-	47,009
- Equity securities	1,311	972	339	1,311
	66,008	62,746	3,262	66,008
Financial liabilities				
Derivative financial liabilities	2,877	-	2,877	2,877
Non-recurring measurements				
Assets held for sale, net	342	-	3,296	3,296

There are no assets and liabilities whose fair values fall under the Level 3 category as at December 31, 2020 and 2019. Likewise, there were no transfers between Level 1 and Level 2 during the years ended December 31, 2020 and 2019.

26.4.2 Fair value disclosures of assets and liabilities not measured at fair value

Consolidated (December 31, 2020)

	Carrying Amount	Fair value Level 1	Level 2	Total
Financial assets				
Cash and other cash items	37,176	-	37,176	**37,176**
Due from BSP	223,989	-	223,989	**223,989**
Due from other banks	40,155	-	40,155	**40,155**
Interbank loans receivable and SPAR, net	30,251	-	30,251	**30,251**
Investment securities at amortized cost, net	244,653	253,097	-	**253,097**
Loans and advances, net	1,407,413	-	1,511,405	**1,511,405**
Other financial assets	2,548	-	2,548	**2,548**
Financial liabilities				
Deposit liabilities	1,716,177	-	1,708,322	**1,708,322**
Bills payable and other borrowed funds	151,947	128,351	21,498	**149,849**
Due to BSP and other banks	1,491	-	1,491	**1,491**
Manager's checks and demand drafts outstanding	7,108	-	7,108	**7,108**
Other financial liabilities	10,694	-	10,694	**10,694**
Non-financial assets				
Investment properties	150	-	638	**638**

Consolidated (December 31, 2019)

	Carrying Amount	Fair value Level 1	Level 2	Total
Financial assets				
Cash and other cash items	47,256	-	47,256	47,256
Due from BSP	207,845	-	207,845	207,845
Due from other banks	22,356	-	22,356	22,356
Interbank loans receivable and SPAR, net	22,570	-	22,610	22,610
Investment securities at amortized cost, net	275,105	276,454	-	276,454
Loans and advances, net	1,475,336	-	1,480,074	1,480,074
Other financial assets	2,591	-	2,591	2,591
Financial liabilities				
Deposit liabilities	1,695,343	-	1,678,607	1,678,607
Bills payable and other borrowed funds	150,837	84,973	65,461	150,434
Due to BSP and other banks	2,946	-	2,946	2,946
Manager's checks and demand drafts outstanding	8,299	-	8,299	8,299
Other financial liabilities	9,392	-	9,392	9,392
Non-financial assets				
Investment properties	155		638	638

Parent Bank (December 31, 2020)

	Carrying Amount	Fair value Level 1	Level 2	Total
Financial assets				
Cash and other cash items	35,912	-	35,912	**35,912**
Due from BSP	197,974	-	197,974	**197,974**
Due from other banks	36,605	-	36,605	**36,605**
Interbank loans receivable and SPAR, net	26,622	-	26,622	**26,622**
Investment securities at amortized cost, net	216,810	224,636	-	**224,636**
Loans and advances, net	1,175,071	-	1,199,349	**1,199,349**
Other financial assets	2,038	-	2,038	**2,038**
Financial liabilities				
Deposit liabilities	1,470,210	-	1,467,541	**1,467,541**
Bills payable and other borrowed funds	140,348	118,806	21,498	**140,304**
Due to BSP and other banks	1,491	-	1,491	**1,491**
Manager's checks and demand drafts outstanding	5,447	-	5,447	**5,447**
Other financial liabilities	5,924	-	5,924	**5,924**
Non-financial assets				
Investment properties	139	-	638	**638**

Parent Bank (December 31, 2019)

	Carrying Amount	Fair value Level 1	Level 2	Total
Financial assets				
Cash and other cash items	45,982	-	45,982	45,982
Due from BSP	181,815	-	181,815	181,815
Due from other banks	18,356	-	18,356	18,356
Interbank loans receivable and SPAR, net	18,346	-	18,405	18,405
Investment securities at amortized cost, net	252,006	252,964	-	252,964
Loans and advances, net	1,231,776	-	1,230,551	1,230,551
Other financial assets	2,767	-	2,767	2,767
Financial liabilities				
Deposit liabilities	1,456,458	-	1,450,164	1,450,164
Bills payable and other borrowed funds	126,529	75,463	50,663	126,126
Due to BSP and other banks	2,946	-	2,946	2,946
Manager's checks and demand drafts outstanding	6,421	-	6,421	6,421
Other financial liabilities	4,801	-	4,801	4,801
Non-financial assets				
Investment properties	143	-	638	638

26.5 Insurance risk management

The non-life insurance entities decide on the retention, or the absolute amount that they are ready to assume insurance risk from one event. The retention amount is a function of capital, experience, actuarial study and risk appetite or aversion.

In excess of the retention, these entities arrange reinsurances either thru treaties or facultative placements. They also accredit reinsurers based on certain criteria and set limits as to what can be reinsured. The reinsurance treaties and the accreditation of reinsurers require BOD's approval.

Note 27 - Capital Management

Capital management is understood to be a facet of risk management. The primary objective of the BPI Group is the generation of recurring acceptable returns to shareholders' capital. To this end, the BPI Group's policies, business strategies and activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its depositors, and to its various funders and stakeholders.

Cognizant of its exposure to risks, the BPI Group maintains sufficient capital to absorb unexpected losses, stay in business for the long haul, and satisfy regulatory requirements. The BPI Group further understands that its performance, as well as the performance of its various units, should be measured in terms of returns generated vis-à-vis allocated capital and the amount of risk borne in the conduct of business.

Effective January 1, 2014, the BSP, through its Circular 781, requires each bank and its financial affiliated subsidiaries to adopt new capital requirements in accordance with the provisions of Basel III. The new guidelines are meant to strengthen the composition of the bank's capital by increasing the level of core capital and regulatory capital. The Circular sets out minimum Common Equity (CET1) ratio and Tier 1 Capital ratios of 6% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed. The minimum required capital adequacy ratio remains at 10% which includes the capital conservation buffer.

Information on the regulatory capital is summarized below:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Tier 1 capital	**277,830**	262,873	**277,755**	262,239
Tier 2 capital	**13,593**	14,079	**11,835**	11,500
Gross qualifying capital	**291,423**	276,952	**289,590**	273,739
Less: Regulatory adjustments/required deductions	**30,760**	24,810	**73,557**	72,400
Total qualifying capital	**260,663**	252,142	**216,033**	201,339
Risk weighted assets	**1,527,572**	1,568,855	**1,309,660**	1,347,976
CAR (%)	**17.06**	16.07	**16.50**	14.94
CET1 (%)	**16.17**	15.17	**15.59**	14.08

The BPI Group has fully complied with the CAR requirement of the BSP.

Likewise, regulatory capital structures of certain subsidiaries on a standalone basis are managed to meet the requirements of the relevant regulatory bodies (i.e. Insurance Commission, SEC, PSE etc.). These subsidiaries have fully complied with the applicable regulatory capital requirements.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Bank is likewise fully compliant with this requirement.

Note 28 - Commitments and Contingencies

At present, there are lawsuits, claims and tax assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group's financial position or financial performance.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments that are not presented in the financial statements. The BPI Group does not anticipate any material losses from these commitments.

Note 29 - Subsequent events

BPI and BFB Merger

On January 22, 2021, BPI announced that its BOD had approved on January 21, 2021, subject to shareholders and regulatory approvals, the plan to merge with BFB, its wholly owned thrift bank subsidiary, with BPI as the surviving entity. 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.

The BOD of BPI, in its meeting held on February 24, 2021, approved the following significant terms and conditions of the planned merger transaction, subject to shareholders and regulatory approvals:

- BFB shall be merged with BPI, with BPI as the surviving corporation;
- The merger shall become effective upon the latter of (a) BSP approval and SEC issuance of the Certificate of Merger, and (b) January 1, 2022;
- Prior to the effective date, BPI and BFB shall conduct their respective business in a manner substantially the same as previously conducted;
- Any fees and costs related to the merger shall be borne by BPI; and
- The basis of determining the exchange ratio.

Increase in Authorized Share Capital

In its meeting held on February 24, 2021, the BOD of BPI approved the proposal, subject to shareholders and regulatory approvals, to increase its authorized share capital, particularly the common share from 4.9 billion to 5 billion shares, and the corresponding amendment to the Parent Bank's Articles of Incorporation.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

The CREATE bill which seeks to lower corporate income tax rates and to rationalize fiscal incentives had been approved by the House of Representatives on September 13, 2019 and by the Senate on the third and final reading on November 26, 2020. The bill was approved by the Bicameral Conference Committee on February 4, 2021 but has yet to be signed into law by the President of the Philippines. Under the CREATE bill, effective July 1, 2020, the more significant changes are as follows:

- Reduction of corporate income tax (CIT) rate to 20% applicable to domestic corporations with total net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 Million (excluding land on which the business entity's office, plant and equipment are situated);
- Reduction of CIT rate to 25% shall be applicable to all other corporations subject to regular CIT; and,
- Minimum Corporate Income Tax (MCIT) rate shall also be amended to 1%, instead of 2%, for the period beginning July 1, 2020 until June 30, 2023.

Since the CREATE bill has not been substantively enacted by the time the BPI Group's consolidated financial statements were authorized for release, no disclosures were made in the BPI Group's consolidated financial statements to reflect the potential impact of the proposed changes in corporate income tax rate.

Financial Institutions Strategic Transfer (FIST) Law

On February 16, 2021, Republic Act (RA) No. 11523, otherwise known as FIST, was signed into law. The law takes effect immediately after its publication in the Official Gazette and a newspaper in general circulation. Under this law, financial institutions' strategic transfer corporations (FISTC) will have the powers to invest in or acquire the non-performing assets (NPA) of financial institutions and engaged third parties to manage, operate, collect and dispose of NPAs acquired from a financial institution. The transfer of NPAs to a FISTC will be exempt from documentary stamp tax, capital gains tax, creditable withholding taxes and value-added tax. The BPI Group is still in the process of evaluating how they can avail the benefit from the provisions of the FIST Law.

Note 30 - Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

30.1 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 (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

As allowed by the SEC, the pre-need subsidiary of the Parent Bank continues to follow the provisions of the Pre-Need Uniform Chart of Accounts (PNUCA) prescribed by the SEC and adopted by the Insurance Commission.

The financial statements comprise the statements of condition, statements of income and statements of 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)

30.2 Changes in accounting policy and disclosures

(a) New amendments to existing standards adopted by the BPI Group

The BPI Group has adopted the following amendments to existing standards and the revised Conceptual Framework effective January 1, 2020:

- Amendments to PAS 1, *'Presentation of Financial Statements'*, and PAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*

  The amendments clarify that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and; the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

  The adoption of the above amendments did not have a material impact on the financial statements of the BPI Group.

- Amendments to PFRS 3, *'Business Combinations'*

  The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

  The adoption of the above amendments did not have a material impact on the financial statements of the BPI Group.

- Amendments to PFRS 7, *'Financial Instruments: Disclosures'*, and PFRS 9, *'Financial Instruments'*

  The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

  In assessing the hedge effectiveness of the cash flow hedges directly affected by the interest rate benchmark reform, the BPI Group assumed that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

  The adoption of the above amendments did not have a material impact on the financial statements of the BPI Group.

- Revised Conceptual Framework for Financial Reporting

  The revised Framework includes the following changes:
  - increasing the prominence of stewardship in the objective of financial reporting;
  - reinstating prudence as a component of neutrality;
  - defining a reporting entity, which may be a legal entity, or a portion of an entity;
  - revising the definitions of an asset and a liability;
  - removing the probability threshold for recognition and adding guidance on derecognition;
  - adding guidance on different measurement basis; and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

  No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

  The adoption of the revised Framework did not have a material impact on the financial statements of the BPI Group.

- Amendments to PFRS 16, *"Leases"*

  The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

  The impact of the amendments to PFRS 16 in the financial statements of the BPI Group is summarized in Note 20.

(b) New standards and amendments to existing standards not yet adopted by the BPI Group

The following new accounting standards and amendments to existing standards are not mandatory for December 31, 2020 reporting period and have not been early adopted by the BPI Group:

- PFRS 17, Insurance Contracts (effective for annual periods beginning on or after January 1, 2025)

  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 Insurance Commission, in coordination with Philippine Insurers and Reinsurers Association, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach. The Insurance Commission (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.

- Interest Rate Benchmark Reform - Amendments to PFRS 9, *"Financial Instruments"*, PAS 39, *"Financial Instruments: Recognition and Measurement"*, PFRS 7 *"Financial Instruments: Disclosures"*, PFRS 4, *"Insurance Contracts"* and PFRS 16 *"Leases"*

  These amendments that were issued in August 2020 address issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark rate with an alternative one.

The key reliefs provided by the amendments are as follows:

- Changes to contractual cash flows. When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform (that is, are necessary as a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the income statement.
- Hedge accounting. The hedge accounting reliefs will allow most PFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The BPI Group is currently in the process of assessing the impact of this amendment.

Likewise, the following amendments to existing standards are not mandatory for December 31, 2020 reporting period and have not been early adopted by the BPI Group:

- Amendments to PAS 1, *'Presentation of Financial Statements'*

  The amendments to PAS 1 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

- Amendments to PAS 16, 'Property, Plant and Equipment'

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- Amendments to PFRS 3, *'Business Combinations'*

  Amendments were made to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'* and Interpretation 21, *Levies*.

- PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'*

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to PFRS Standards 2018-2020

  The following improvements were finalized in May 2020:

  i. PFRS 9, *'Financial Instruments'*, clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  ii. PFRS 16, *'Leases'*, amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the BPI Group.

30.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The BPI Group recognizes a financial instrument in the statements of condition when, and only when, the BPI Group becomes a party to the contractual provisions of the instrument.

30.3.1 Measurement methods

Amortized cost and effective interest rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired (see definition on Note 30.3.2.2) at initial recognition - the BPI Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the BPI Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the BPI Group commits to purchase or sell the asset.

At initial recognition, the BPI Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, as described in Note 30.3.2.1 below, which results in the loss provision being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the BPI Group recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

30.3.2 Financial assets

30.3.2.1 Classification and subsequent measurement

The BPI Group classifies its financial assets in the following measurement categories: at fair value through profit or loss, fair value through other comprehensive income and at amortized cost. The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and advances, due from BSP and other banks, government and corporate bonds and other financial receivables.

Classification and subsequent measurement of debt instruments depend on the BPI Group's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the BPI Group classifies its debt instruments into one of the following three measurement categories:

- *Amortized cost*
  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. Amortized cost financial assets include cash and other cash items, due from BSP, due from other banks, interbank loans receivables and SPAR, loans and advances, and other financial assets.

- *Fair value through other comprehensive income (FVOCI)*
  Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statements of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- *Fair value through profit or loss (FVTPL)*
  Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statements of income within 'Trading gain on securities' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately.

Business model

The business model reflects how the BPI Group manages the assets in order to generate cash flows. That is, whether the BPI Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified and measured at fair value through profit or loss. Factors considered by the BPI Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely Payment of Principal and Interest

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the BPI Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the BPI Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The BPI Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The BPI Group subsequently measures all equity investments at fair value through profit or loss, except where the BPI Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The BPI Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as 'Other income' when the BPI Group's right to receive payments is established. Gains and losses on equity investments at fair value through profit or loss are included in the 'Trading gain on securities' in the statements of income.

30.3.2.2 Impairment of amortized cost and FVOCI financial assets

The BPI Group assesses impairment as follows:
- individually for loans that exceed specified thresholds. Where there is objective evidence of impairment, individually assessed provisions will be recognized; and
- collectively for loans below the specified thresholds noted above or if there is no objective evidence of impairment. These loans are included in a group of loans with similar risk characteristics and collectively assessed for impairment. If there is objective evidence that the group of loans is collectively impaired, collectively assessed provisions will be recognized.

Expected credit losses

The BPI Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The BPI Group recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the BPI Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The BPI Group determines SICR based on prescribed benchmarks approved by the Board of the Directors.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with PFRS 9 is that it should consider forward-looking information.
- POCI financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3). The BPI Group has no POCI as at December 31, 2020 and 2019.

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:

- The PD represents the likelihood that the borrower will default (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.

- EAD is based on the amounts the BPI Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD). For example, for a revolving commitment, the BPI Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

  The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

  - For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
  - For committed credit lines, the 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.

- LGD represents the BPI Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

  The LGDs are determined based on the factors which impact the recoveries made post-default.

  - For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
  - For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies and historical recoveries.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. These assumptions vary by product type.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change - are monitored and reviewed regularly.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period from the time of the adoption of PFRS 9 on January 1, 2018 to the reporting date.

Forward-looking information incorporated in the ECL models

The BPI Group incorporates historical and current information, and forecasts forward-looking events and key economic variables that are assessed to impact credit risk and expected credit losses for each portfolio. MEVs that affect a specific portfolio's non-performing loan rate(s) are determined through statistical modelling and the application of expert judgment. The BPI Group's economics team establishes possible global and domestic economic scenarios. With the use of economic theories and conventions, expert judgment and external forecasts, the economics team develops assumptions to be used in forecasting variables in the next five (5) years, subsequently reverting to long run-averages. The probability-weighted ECL is calculated by running each scenario through the relevant ECL models and multiplying it by the appropriate scenario weighting.

The estimation and application of forward-looking information requires significant judgment. As with any economic forecasts, the projections and likelihood of occurrences are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The scenarios and their attributes are reassessed at each reporting date. Information regarding the forward-looking economic variables and the relevant sensitivity analysis is disclosed in Note 26.

Financial assets with low credit risk

Loss allowance for financial assets at amortized cost and FVOCI that have low credit risk is limited to 12-month expected credit losses. Management considers "low credit risk" for listed government bonds to be an investment grade credit rating with at least one major rating agency. Other debt instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Definition of default and credit-impaired assets

The BPI Group considers a financial instrument in default or credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the exception of credit cards and micro-finance loans where a borrower is required to be 90 days past due and over 7 days past due, respectively, to be considered in default).

Qualitative criteria

The counterparty is experiencing significant financial difficulty which may lead to non-payment of loan as may be indicated by any or combination of the following events:

- The counterparty is in long-term forbearance;
- The counterparty is insolvent;
- The counterparty is in breach of major financial covenant(s) which lead(s) to event of default;
- An active market for the security has disappeared;
- Granting of concession that would not be otherwise considered due to economic or contractual reasons relating to the counterparty's financial difficulty;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the BPI Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD, and LGD throughout the BPI Group's expected credit loss calculations.

The BPI Group's definition of default is substantially consistent with non-performing loan definition of the BSP. For cross-border, treasury and debt securities, these are classified as defaulted based on combination of BSP and external credit rating agency definitions.

30.3.3 Modification of loans

The BPI Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the BPI Group assesses whether or not the new terms are substantially different to the original terms. The BPI Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the BPI Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the BPI Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in the statements of income as a gain or loss on derecognition.

If the terms are not substantially different, the BPI Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in the statement of income. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

Loan modifications in compliance with the Bayanihan Acts I and II, is treated in line with BPI Group's policies discussed above.

30.3.4 Derecognition of financial assets other than modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the BPI Group transfers substantially all the risks and rewards of ownership, or (ii) the BPI Group neither transfers nor retains substantially all the risks and rewards of ownership and the BPI Group has not retained control.

The BPI Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the BPI Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

30.3.5 Write-off of financial assets

The BPI Group writes off financial assets when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. 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.

30.3.6 Financial liabilities

30.3.6.1 Classification of financial liabilities

The BPI Group classifies its financial liabilities in the following categories: financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the BPI Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the statements of income and are reported as "Trading gains/losses on securities". The BPI Group has no financial liabilities that are designated at fair value through profit loss.

(b) Other liabilities measured at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost include deposits from customers and banks, bills payable, amounts due to BSP and other banks, manager's checks and demand drafts outstanding, subordinated notes and other financial liabilities under deferred credits and other liabilities.

30.3.6.2 Subsequent measurement and derecognition

Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Other liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired). Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

30.3.7 Loan commitments

Loan commitments are contracts in which the BPI Group is required to provide loans with pre-specified terms to customers. These contracts, which are not issued at below-market interest rates and are not settled net in cash or by delivering or issuing another financial instrument, are not recorded in the statements of condition.

30.3.8 Derivative financial instruments

A derivative instrument is initially recognized at fair value on the date a derivative contract is entered into, and is subsequently remeasured to its fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument or is held for trading.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting (and therefore, held for trading) are recognized immediately in profit or loss and are included in "Trading gain on securities".

Hedge accounting

The BPI Group designates derivatives as either:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the BPI Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The BPI Group documents its risk management objective and strategy for undertaking its hedge transactions.

As disclosed in Note 7, the BPI Group has existing cash flow hedge activity. There are no fair value hedges or net investment hedges as of reporting date.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the "Cash flow hedge reserve" within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within "Other operating income".

When the group excludes the forward element of a forward contract and foreign currency basis spread of financial instruments in the hedge designation, the fair value change of the forward element and currency basis spread that relates to the hedged item ('aligned forward element/currency basis spread') is recognized within OCI in the costs of hedging reserve within equity. If the group designates the full change in fair value of the derivative (including forward points and currency basis spreads) the gains or losses relating to the effective portion of the change in fair value of the entire derivative are recognized in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified to profit or loss within other operating income in the same periods during which the hedged future cash flows affect profit or loss. However, if the amount is a loss and the BPI Group expects that all or a portion of that loss will not be recovered in one or more future periods, the amount that is not expected to be recovered shall immediately be reclassified to profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time shall be reclassified to profit or loss in the same periods during which the future cash flows affect profit or loss. When the future cash flows are no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

30.3.8.1 Embedded derivatives

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the BPI Group assesses the entire contract for classification and measurement in accordance with the policy outlined in Note 30.3.2 above. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statements of income unless the BPI Group chooses to designate the hybrid contracts at fair value through profit or loss.

30.3.9 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The BPI Group classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, PSE, Philippine Dealing and Exchange Corp., etc.).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter (OTC) derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The BPI Group considers relevant and observable market prices in its valuations where possible. The BPI Group has no assets or liabilities classified under Level 3 as at and for the year ended December 31, 2020 and 2019.

30.3.10 Interest income and expense

Interest income and expense are recognized in profit or loss for all interest-bearing financial instruments using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the BPI Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

30.3.11 Dividend income

Dividend income is recognized in profit or loss when the BPI Group's right to receive payment is established.

30.3.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of condition when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

As at December 31, 2020 and 2019, there are no financial assets and liabilities presented at net amounts due to offsetting.

30.3.13 Cash and cash equivalents

Cash and cash equivalents consist of Cash and other cash items, Due from BSP, Due from other banks, and Interbank loans receivable and securities purchased under agreements to resell (SPAR) with maturities of less than three months from the date of acquisition and that are subject to insignificant risk of changes in value.

30.3.14 Repurchase and reverse repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks and customers and included in the statement of condition under "Interbank loans receivable and securities purchased under agreements to resell". Securities lent to counterparties are also retained in the financial statements.

30.4 Consolidation

The subsidiaries financial statements are prepared for the same reporting year as the consolidated financial statements. Refer to Note 1 for the list of the Parent Bank's subsidiaries.

(a) Subsidiaries

Subsidiaries are all entities over which the BPI Group has control. The BPI Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The BPI Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the BPI Group's voting rights relative to the size and dispersion of holdings of other shareholders give the BPI Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the BPI Group. They are de-consolidated from the date that control ceases.

The BPI Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the BPI Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the BPI Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the BPI Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the BPI Group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the BPI Group, except for the pre-need subsidiary which follows the provisions of the PNUCA as allowed by the SEC.

When the BPI Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the BPI Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the Parent Bank loses control of a subsidiary, the Parent Bank:

- derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position.
- recognizes any investment retained in the former subsidiary and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRSs. The remeasured value at the date that control is lost shall be regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or the cost on initial recognition of an investment in an associate or joint venture, if applicable.
- recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

(b) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests other than those related to discontinued operation are also recorded in equity.

Interests in the equity of subsidiaries not attributable to the Parent Bank are reported in consolidated equity as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the statements of income as net income (loss) attributable to non-controlling interests.

(c) Associates

Associates are all entities over which the BPI Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the consolidated financial statements are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The BPI Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the BPI Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the BPI Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The BPI Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the BPI Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Unrealized gains on transactions between the BPI Group and its associates are eliminated to the extent of the BPI Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the BPI Group.

(d) 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. 2018-01. 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.

30.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates in the Parent Bank's separate financial statements are accounted for using the cost method in accordance with PAS 27. Under this method, income from investment is recognized in profit or loss only to the extent that the investor receives distributions from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction of the cost of the investment.

The Parent Bank recognizes a dividend from a subsidiary or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

The Parent Bank determines at each reporting date whether there is any indicator of impairment that the investment in the subsidiary or associate is impaired. If this is the case, the Parent Bank calculates the amount of impairment as the difference between the recoverable amount and carrying value and the difference is recognized in profit or loss.

Investments in subsidiaries and associates are derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries and associates at which time the cost and the related accumulated impairment loss are removed in the statements of condition. Any gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

30.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer who allocates resources to, and assesses the performance of the operating segments of the BPI Group.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated upon consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with PFRS 8, the BPI Group has the following main banking business segments: consumer banking, corporate banking and investment banking. Its insurance business is assessed separately from these banking business segments (Note 3).

30.7 Bank premises, furniture, fixtures and equipment

Land and buildings comprise mainly of branches and offices. All bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of an asset which comprises its purchase price, import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the BPI Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Land is 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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. There are no bank premises, furniture, fixtures and equipment that are fully impaired as at December 31, 2020 and 2019.

An item of Bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

30.8 Investment properties

Properties that are held either to earn rental income or for capital appreciation or both, and that are not significantly occupied by the BPI Group are classified as investment properties. Transfers to, and from, investment property are made when, and only when, there is a change in use, evidenced by:

(a) Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
(b) Commencement of development with a view of sale, for a transfer from investment property to real properties held-for-sale and development;
(c) End of owner occupation, for a transfer from owner-occupied property to investment property; or
(d) Commencement of an operating lease to another party, for a transfer from real properties held-for-sale and development to investment property.

Transfers to and from investment property do not result in gain or loss.

Investment properties comprise land and building. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on investment property is determined using the same policy as applied to Bank premises, furniture, fixtures, and equipment. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher of the property's fair value less costs to sell and value in use.

An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

30.9 Foreclosed assets

Assets foreclosed shown as Assets held for sale in the statements of condition are accounted for at the lower of cost and fair value less cost to sell similar to the principles of PFRS 5. The cost of assets foreclosed includes the carrying amount of the related loan. Impairment loss is recognized for any subsequent write-down of the asset to fair value less cost to sell.

Foreclosed assets not classified as Assets held for sale are accounted for in any of the following classification using the measurement basis appropriate to the asset as follows:

(a) Investment property is accounted for using the cost model under PAS 40;
(b) Bank-occupied property is accounted for using the cost model under PAS 16; and
(c) Financial assets are accounted for under PFRS 9.

When foreclosed assets are recovered through a sale transaction, the gain or loss recognized from the difference between the carrying amount of the foreclosed asset disposed and the net disposal proceeds is recognized in profit or loss.

30.10 Discontinued operations

A discontinued operation is a component of the BPI Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of income, statement of total comprehensive income and statement of cash flows. Likewise, prior year balances of such statements are restated in accordance with the provisions of PFRS 5. The details of the discontinued operations are disclosed in Note 12.

30.11 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.

30.12 Impairment of non-financial assets

Assets that have indefinite useful lives - for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment and more frequently if there are indicators of impairment. Assets that have definite useful lives are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

30.13 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, 2020 and 2019.

Borrowings derecognized when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the Statements of Income as other income.

30.14 Fees and commission income

The BPI Group has applied PFRS 15 where revenue is recognized when (or as) The BPI Group satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the BPI Group satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the BPI Group expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The BPI Group recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The BPI Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the BPI Group does not adjust any of the transaction prices for the time value of money.

There are no warranties and other similar obligation and refunds agreed with customers.

Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party (i.e. the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses) are recognized on completion of underlying transactions. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided.

30.15 Credit card income

Credit card arrangements involve numerous contracts between various parties. The BPI Group has determined that the more significant contracts within the scope of PFRS 15 are (1) the contract between the BPI Group and the credit card holder ('Cardholder Agreement') under which the BPI Group earn miscellaneous fees (e.g., annual membership fees, late payment fees, foreign exchange fees, etc.) and (2) an implied contract between the BPI Group and merchants who accept the credit cards in connection with the purchase of their goods and/or services ('Merchant Agreement') under which the BPI Group earn interchange fees.

The Cardholder Agreement obligates the BPI Group, as the card issuer, to perform activities such as process redemption of loyalty points by providing goods, services, or other benefits to the cardholder; provide ancillary services such as concierge services, travel insurance, airport lounge access and the like; process late payments; provide foreign exchange services and others. The amount of fees stated in the contract represents the transaction price for that performance obligation.

The implied contract between the BPI Group and the merchant results in the BPI Group receiving an interchange fee from the merchant. The interchange fee represents the transaction price associated with the implied contract between the BPI Group and the merchant because it represents the amount of consideration to which the BPI Group expects to be entitled in exchange for transferring the promised service (i.e., purchase approval and payment remittance) to the merchant. The performance obligation associated with the implied contract between the BPI Group and the merchant is satisfied upon performance and simultaneous consumption by the customer of the underlying service. Therefore, a portion of the interchange fee is allocated to the performance obligations based on stand-alone transaction price and revenue is recognized when these performance obligations are satisfied.

30.16 Foreign currency translation

(a) Functional and presentation currency

Items in the financial statements of each entity in the BPI Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Parent Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated at exchange rates as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value is determined.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss recognized under "Trading gain/loss on securities" in the statement of income. Translation differences on non-monetary financial instruments, such as equities classified as financial assets at FVOCI, are included in Accumulated other comprehensive income (loss) in the capital funds.

(c) Foreign subsidiaries

The results and financial position of BPI's foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at reporting date;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component (Currency translation differences) of Accumulated other comprehensive income (loss) in the capital funds. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

(d) Income from foreign exchange trading

Foreign exchange gains and losses arising from trading of foreign currencies are recorded under "Income from foreign exchange trading" in the statement of income. Gains or losses are calculated as the difference between the carrying amount of the asset sold and the net disposal proceeds at the date of sale.

30.17 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the BPI Group is established.

30.18 Provisions for legal or contractual obligations

Provisions are recognized when all of the following conditions are met: (i) the BPI Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item is included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

30.19 Income taxes

(a) Current income tax

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense for the year except to the extent that current tax is related to items (for example, current tax on financial assets at FVOCI) that are charged or credited in other comprehensive income or directly to capital funds.

The BPI Group has substantial income from its investment in government securities subject to final withholding tax. Such income is presented at its gross amount and the final tax paid or withheld is included in Provision for income tax - Current.

(b) Deferred income tax

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

The BPI Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, and associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, and associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the BPI Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the BPI Group is unable to control the reversal of the temporary difference for associates except when there is an agreement in place that gives the BPI Group the ability to control the reversal of the temporary difference.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

30.20 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.

30.21 Capital funds

Share capital consists of common shares which are instruments that meet the definition of “equity”.

Share premium includes any premiums or consideration received in excess of the total par value of the common shares issued.

Incremental costs directly attributable to the issue of new shares are treated as a deduction from the share issuance proceeds.

30.22 Earnings per share (EPS)

Basic EPS is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends. In case of a rights issue, an adjustment factor is being considered for the weighted average number of shares outstanding for all periods before the rights issue. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

30.23 Dividends on common shares

Dividends on common shares are recognized as a liability in the BPI Group’s financial statements in the period in which the dividends are approved by the BOD.

30.24 Fiduciary activities

The BPI Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the BPI Group (Note 24).

30.25 Leases

30.25.1 BPI Group is the lessee

Until December 31, 2018, leases of bank premises, furniture and fixtures and equipment were classified as either finance leases or operating leases. From January 1, 2019, the BPI Group recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

From January 1, 2019 (PFRS 16)

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Measurement of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the BPI Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the BPI Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Measurement of right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the BPI Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

In applying PFRS 16 for the first time, the BPI Group has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- apply the provisions of PFRS 16 to contracts that were previously identified as leases applying PAS 7, *'Statement of cash flows'* and IFRIC 4, *'Determining whether an arrangement contains a lease'*.

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.

<u>Accounting policies prior to January 1, 2019 (PAS 17)</u>

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to "Occupancy and equipment-related expenses" in the statements of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

Finance lease

Leases of assets, where the BPI Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

30.25.2 BPI Group is the lessor

PFRS 16 substantially carries forward the lessor accounting requirements in PAS 17. Accordingly, the BPI Group (as a lessor) continues to classify its leases as operating leases or finance leases.

Operating lease

Properties (land and building) leased out under operating leases are included in "Investment properties" in the statements of condition. Rental income under operating leases is recognized in profit or loss on a straight-line basis over the period of the lease.

Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income under finance lease is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

30.26 Insurance and pre-need operations

(a) Non-life insurance

The more significant accounting policies observed by the non-life insurance subsidiaries follow: (a) gross premiums written from short-term insurance contracts are recognized at the inception date of the risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method; (b) acquisition costs are deferred and charged to expense in proportion to the premium revenue recognized; reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs; (c) a liability adequacy test is performed which compares the subsidiaries' reported insurance contract liabilities against current best estimates of all contractual future cash flows and claims handling, and policy administration expenses as well as investment income backing up such liabilities, with any deficiency immediately charged to profit or loss; (d) amounts recoverable from reinsurers and loss adjustment expenses are classified as assets, with an allowance for estimated uncollectible amounts; and (e) financial assets and liabilities are measured following the classification and valuation provisions of PFRS 9.

(b) Pre-need

The more significant provisions of the PNUCA as applied by the pre-need subsidiary follow: (a) premium income from sale of pre-need plans is recognized as earned when collected; (b) costs of contracts issued and other direct costs and expenses are recognized as expense when incurred; (c) pre-need reserves which represent the accrued net liabilities of the subsidiary to its plan holders are actuarially computed based on standards and guidelines set forth by the Insurance Commission; the increase or decrease in the account is charged or credited to other costs of contracts issued in profit or loss; and (d) insurance premium reserves which represent the amount that must be set aside by the subsidiary to pay for premiums for insurance coverage of fully paid plan holders, are actuarially computed based on standards and guidelines set forth by the Insurance Commission.

30.27 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

30.28 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where PAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year. There were no changes to the presentation made during the year.

30.29 Subsequent events (or Events after the reporting date)

Post year-end events that provide additional information about the BPI Group's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 31 - Supplementary information required under BSP Circular No. 1074

Presented below are the additional information required by BSP Circular No. 1074 issued on January 8, 2020. This information is presented for BSP reporting purposes and is not required in the basic financial statements.

(i) Basic Quantitative Indicators of Financial Performance

The key financial performance indicators follow (in %):

	Consolidated		Parent	
	2020	2019	**2020**	2019
Return on average equity				
- Daily average[1]	**7.70**	10.97	**10.81**	12.51
- Simple average[2]	**7.79**	11.12	**11.00**	12.62
Return on average assets				
- Daily average[3]	**0.98**	1.38	**1.33**	1.50
- Simple average[4]	**0.96**	1.34	**1.31**	1.45
Net interest margin				
- Daily average[5]	**3.49**	3.35	**3.31**	3.18
- Simple average[6]	**3.45**	3.26	**3.26**	3.08

[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, 2020 and 2019.*
[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, 2020 and 2019.*
[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, 2020 and 2019.*
[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, 2020 and 2019.*
[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, 2020 and 2019.*
[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, 2020 and 2019.*

(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, 2020 and 2019.

Significant Credit Exposures

Details of the loans and advances portfolio as to concentration per industry/economic sector (in %) as at December 31 are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
Real estate, renting and other related activities	**25.42**	24.37	**18.04**	17.77
Manufacturing	**14.97**	15.30	**17.79**	18.09
Wholesale and retail trade	**10.97**	11.35	**12.18**	12.61
Consumer	**8.01**	8.32	**5.12**	5.46
Financial institutions	**8.88**	10.81	**10.57**	12.90
Agriculture and forestry	**2.53**	2.87	**3.01**	3.40
Others	**29.22**	26.98	**33.29**	29.77
	100.00	100.00	**100.00**	100.00

Breakdown of Total Loans

Details of the loans and advances portfolio as at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	**257,311**	278,099	**132,600**	138,607
Chattel mortgage	**51,821**	57,037	**8**	10
Others	**203,629**	148,385	**201,013**	146,038
	512,761	483,521	**333,621**	284,655
Unsecured loans	**932,434**	1,008,129	**870,066**	958,768
	1,445,195	1,491,650	**1,203,687**	1,243,423

Other collaterals include hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Breakdown of performing and non-performing loans net of allowance for credit losses are as follows:

<u>Consolidated</u>

	2020			2019		
	Performing	Non-performing	**Total**	Performing	Non-performing	Total
			(In Millions of Pesos)			
Corporate loans	984,160	12,990	**997,150**	1,130,219	10,941	1,141,160
Credit cards	51,340	5,453	**56,793**	61,671	3,537	65,208
Other retail loans	169,409	20,310	**189,719**	189,581	10,357	199,938
	1,204,909	38,753	**1,243,662**	1,381,471	24,835	1,406,306
Allowance for probable losses	(16,962)	(14,483)	**(31,445)**	(10,072)	(10,516)	(20,588)
Net carrying amount	**1,187,947**	**24,270**	**1,212,217**	1,371,399	14,319	1,385,718

**Amounts exclude accrued interest receivables*

<u>Parent</u>

	2020			2019		
	Performing	Non-performing	**Total**	Performing	Non-performing	Total
			(In Millions of Pesos)			
Corporate loans	968,188	10,507	**978,695**	1,100,534	8,487	1,109,021
Credit cards	49,916	5,096	**55,012**	59,906	3,381	63,287
Other retail loans	7	430	**437**	9	306	315
	1,018,111	16,033	**1,034,144**	1,160,449	12,174	1,172,623
Allowance for probable losses	(14,026)	(9,470)	**(23,496)**	(6,765)	(7,688)	(14,453)
Net carrying amount	**1,004,085**	**6,563**	**1,010,648**	1,153,684	4,486	1,158,170

**Amounts exclude accrued interest receivables*

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:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Loans and advances from:				
Subsidiaries	**189**	58	**-**	58
Associates	**509**	350	**509**	350
Ayala Group	**76,509**	59,885	**71,123**	59,885
Other related parties	**24,160**	736	**7,569**	736

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Outstanding DOSRI loans	**15,675**	10,026	**15,673**	10,024

	In percentages (%)			
	Consolidated		Parent	
	2020	2019	**2020**	2019
% to total outstanding loans and advances	**1.08**	0.67	**1.30**	0.81
% to total outstanding DOSRI loans				
Unsecured DOSRI loans	**3.20**	17.30	**3.20**	17.30
Past due DOSRI loans	**0.00**	0.01	**0.00**	0.01
Non-performing DOSRI loans	**0.00**	-	**0.00**	-

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at December 31, 2020 and 2019.

(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 in accordance with the agreed financing programs. Loans and advances arising from these financing programs serve as collateral for this liability (Note 10).

(v) Contingencies and commitments arising from off-balance sheet items

Credit risk exposures arising from off-balance sheet items are as follows:

	Consolidated		Parent	
	2020	2019	**2020**	2019
	(In Millions of Pesos)			
Undrawn loan commitments	**352,844**	376,179	**346,995**	369,544
Unused letters of credit	**24,512**	28,405	**24,512**	28,405
Gross carrying amount	**377,356**	404,584	**371,507**	397,949
Loss allowance	**(959)**	(650)	**(927)**	(619)
Carrying amount	**376,397**	403,934	**370,580**	397,330

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 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.

Note 32 - Supplementary information required by the Bureau of Internal Revenue

On December 28, 2010, Revenue Regulations (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to 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, 2020 consist of:

	Amount (In Millions of Pesos)
Deposit and loan documents	6,601
Trade finance documents	490
Mortgage documents	432
Shares of stocks	1
Others	5
	7,529

(ii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2020 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Income taxes withheld on compensation	1,842	207	2,049
Withholding tax on withdrawal from decedent's account	11	3	14
Final income taxes withheld on interest on deposits and yield on deposit substitutes	2,388	167	2,555
Final income taxes withheld on income payment	887	6	893
Creditable income taxes withheld (expanded)	346	53	399
Fringe benefit tax	107	29	136
VAT withholding tax	53	2	55
	5,634	467	6,101

(iii) All other local and national taxes

All other local and national taxes paid/accrued for the year ended December 31, 2020 consist of:

	Amount		
(In Millions of Pesos)	Paid	Accrued	Total
Gross receipts tax	4,581	384	4,965
Real property tax	112	-	112
Municipal taxes	307	-	307
Others	14	-	14
	5,014	384	5,398

Local and national taxes imposed by the government which are incurred under the normal courses of business are part of "Taxes and Licenses" within Other Operating Expense (Note 21).

(iv) Tax cases and assessments

As at reporting date, the Parent Bank has pending cases filed in courts, with the tax authorities contesting certain tax assessments, and for various claims for tax refund. Management is of the opinion that the ultimate outcome of the said cases will not have a material impact on the financial statements of the Parent Bank.

APPENDICES

STAKEHOLDER ENGAGEMENT
AND MATERIAL TOPICS

STAKEHOLDER ENGAGEMENT

Insights from regular dialogue with our stakeholders keep our organizational goals and strategies aligned with stakeholder needs and expectations. We identify our key stakeholders as our clients, shareholders, employees, government and regulatory agencies, suppliers and contractors, and communities. They have significant influence on our economic, social, and environmental performance and are similarly impacted by our conduct of business in the context of global, regional, and local megatrends. Through this proactive engagement, we maintain beneficial relationships within the community where we operate.

To ensure a sustained quality and frequency of engagement, the Bank has set up various engagement platforms for each stakeholder group. The information obtained through these platforms helps us identify issues the Bank should address as well as opportunities that will allow us to continue to build long-lasting value. From 2019 to early 2020, we conducted an engagement survey, the results of which continue to validate the existing stakeholder concerns and material topics. In 2020, we proactively communicated with our investors, particularly regarding the growing interest in ESG topics.

CLIENTS		
How We Engage Them	Their Concerns	How We Respond
• Daily customer touch points through branches, personnel, phone, e-mail, and social media channels • Annual and periodic satisfaction surveys • Regular interactions with existing and potential clients through face-to-face meetings and webinars	• Quality and availability of products and services suited to their needs • Convenient, affordable, reliable, and efficient delivery of products and services • Accessibility and security of electronic services • Transparency of requirements and processes • Competency of personnel to address concerns • Sound and customized financial advice • Turn-around time of applications • Data privacy and security	• Development of new products and services • Proactive approach to client concerns (e.g., proper allocation of manpower resources, review of outsourcing services, set up of more effective contact centers, and continuous process improvements) • Constant monitoring and upgrade of systems • Ongoing personnel capacity building through product briefings, seminars, and trainings • Timely provision of customized feedback, advice, and/or solutions to inquiries • Economic and product briefings, as well as financial and investment education webinars and podcasts
INVESTORS		
How We Engage Them	Their Concerns	How We Respond
• Regular investor meetings and conference calls • Annual stockholders' meeting	• Shareholder return • Financial performance • Business growth and continuity • Responsible financing	• Transparent and timely disclosures

STAKEHOLDER ENGAGEMENT AND MATERIAL TOPICS

EMPLOYEES		
How We Engage Them	**Their Concerns**	**How We Respond**
• Online portals, face-to-face meetings, and learning sessions • Annual performance appraisals • Periodic engagement survey • Town halls • Quarterly Labor Management Conferences • HR caravans	• Capacity-building and availability of work tools across all levels • Opportunities for career development • Clear understanding of the Bank's strategy and direction • Pay for performance or meritocracy • Competitive compensation and benefits • Work-life balance • Rewards and recognition	• Leadership development programs, Harvard management mentor (on-demand type of learning), moving towards digital learning • Career mobility and officer's development program, shortened time in rank • Town hall meetings • Promotions, performance bonuses, and salary increases are tied to performance, non-financial rewards • Salary reviews to ensure competitiveness of compensation against market • Semi-flexible work hours (head offices) • Rewards and recognition programs are anchored on reinforcing the core values of the Bank
SUPPLIERS AND CONTRACTORS		
How We Engage Them	**Their Concerns**	**How We Respond**
• Accreditation • E-mails, letters, and memos • Weekly meetings with facility maintenance agencies • Monthly meetings with security agencies	• Procurement policies (e.g., requirements and criteria for evaluation) • Other procurement-related concerns (e.g., cost, terms of payment, and warranties)	• Cascade of policies • Real-time updates
GOVERNMENT AND REGULATORY AGENCIES		
How We Engage Them	**Their Concerns**	**How We Respond**
• Annual bank examination • Regular audits and follow-up • Regular correspondence through • letters and e-mail through authorized and appropriately-trained personnel, covering all forms of communication, whether formal, informal, or social interactions in relation to the • Bank's business through any kind of correspondence such as in-person, electronic media, and/or written	• Compliance with relevant national laws and regulations, including BSP regulations and guidelines • Transparency and accountability • Feedback on the Bank's operations	• Transparent and timely disclosures and reports • Compliance to regulations • Conduct of internal and external audits • Formal explanations and responses to queries
COMMUNITIES, NON-GOVERNMENT, AND CIVIL SOCIETY GROUPS		
How We Engage Them	**Their Concerns**	**How We Respond**
• Partnerships and agreements • Regular correspondence through • e-mails, letters, memos, meetings, text messages, and phone calls • Updates through website, social media pages, print, and online platforms • Assessment and feedback on partnership and engagement • Events recognizing partnerships (e.g., BPI Foundation's Partners' Night)	• New programs and initiatives • Update and expansion of existing projects • Takeaways from activities conducted • Opportunities for capacity building and access to financial and non-financial resources • Responsible financing	• Organize events for beneficiaries and external partners (e.g., workshops and symposiums) • Accomplishment reports • Attendance in meetings and real-time updates

MATERIAL TOPICS

Materiality assessment helps us identify topics that matter most to our business and stakeholders. It guides us in deciding on strategies and where to focus our resources. Our materiality matrix combines the results of our stakeholder engagement exercises with internal analyses of current economic, social, and environmental trends, key ESG issues in the banking sector, and events that impact the business.

The annual review and updating of our materiality matrix ensures that its contents still reflect the issues relevant to all of the Bank's stakeholders given our dynamically changing landscape. An addition to this report is an alignment with non-financial ESG rating disclosures which were popular among our investors. Identified material topics are consolidated into our Sustainability Strategy Framework and aligned with the overall purpose of the Bank as embodied in our Credo.

Value to our Capitals	Impacted Stakeholders	Material Topics	Corresponding Disclosures
Social and Relationship Capital	- Business Operations - Clients - Government and Regulators - Communities - Civil society and NGOs	- Anti-corruption - Marketing and labeling - Customer privacy - Customer service - Compliance - Risk management - Corporate social responsibility - Volunteerism - Health and safety	• 103-2 The management approach and its components • 403: Occupational Health and Safety • 417-2 Incidents of non-compliance concerning product and service information and labeling • Complaint intensity or % of resolved complaints • Corporate governance • Compliance • FN-CB-510a.1 SASB Business Ethics • FN-CB-510a.2 SASB Business Ethics • FN-CB-550a.1 Systemic Risk Management • FN-CB-550a.2 Systemic Risk Management • Financial literacy programs and beneficiaries • Scaling up MSMEs and social enterprises programs and beneficiaries • Environmental sustainability programs and beneficiaries • Volunteer hours and employee-led volunteer activities • FN-CB-240a.4 SASB Financial Inclusion & Capacity Building
Human Capital	- Employees and Indirect Hires	- Employment training and education - Diversity and equal opportunity - Non-discrimination - Freedom of association and collective bargaining - Health and safety	• 102-8 Information on employees and other workers • 401-1 New employee hires and employee turnover • 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees • 403: Occupational Health and Safety • 404-1 Average hours of training per year per employee • 405-1 Diversity of governance bodies and employees • 406-1 Incidents of discrimination and corrective actions taken • 102-41 Collective bargaining agreements

STAKEHOLDER ENGAGEMENT AND MATERIAL TOPICS

Value to our Capitals	Impacted Stakeholders	Material Topics	Corresponding Disclosures
Financial Capital	- Business Operations - Shareholders - Government and Regulators - Suppliers - Communities	- Economic performance - Supply chain management - Financial inclusion - Supporting nation-building - Financing sustainable development	• 201-1 Direct economic value generated and distributed • 102-9 Supply chain • Financial products and services for underbanked and SEMEs • Financial products and services for SMEs • Total amount of loans disbursed and credit portfolio contributing to sustainable development • FN-CB-240a.1 SASB Financial Inclusion & Capacity Building • FN-CB-240a.2 SASB Financial Inclusion & Capacity Building • FN-CB-240a.3 SASB Financial Inclusion & Capacity Building • FN-CB-410a.1 SASB Incorporating ESG Factors in Credit Analysis • FN-CB-410a.2 SASB Incorporating ESG Factors in Credit Analysis
Manufactured and Intellectual Capital	- Business - Operations - Clients	- Branch, ATM and CAM network - Digitalization - Security practices - Data and information security	• Number of branches, ATMs and CAMs • Uptime • 410-1 Security personnel training in human rights policies or procedures • 103-2 The management approach and its components • FN-CB-230a.1 SASB Data Security • FN-CB-230a.2 SASB Data Security
Natural Capital	- Business Operations - Clients - Government and Regulators - Civil society and NGOs	- Energy - Emissions - Sustainable Energy Financing	• 302-1 Energy consumption within the organization • 302-3 Energy intensity • 305-2 Energy indirect (Scope 2) GHG emissions • 305-4 GHG emissions intensity • Sustainable energy financing loans disbursed

GRI CONTENT INDEX

Disclosure Number	Disclosure Title	Page	Omission
GRI GENERAL DISCLOSURES Reporting Boundary: All are consolidated figures of BPI which include all local and international subsidiaries			
GENERAL DISCLOSURES			
Organizational Profile			
102-1	Name of the organization	Our Business, Page 5	
102-2	Activities, brands, products, and services	Products and Services, Page 334 to 337	
102-3	Location of headquarters	Our Business, Page 5 Group Directory, Page 343	
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102-6	Markets served	Our Business, Page 5	
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102-8	Information on employees and other workers	Responsible Operations - Social Responsibility, Page 78 to 79	
102-9	Supply chain	Responsible Operations - Social Responsibility, Page 87	
102-10	Significant changes to the organization and its supply chain	Our Business, Page 5	
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102-13	Membership of associations	Membership in Industry Associations, Page 342	
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102-14	Statement from senior decision-maker	Message from the Chairman and President and CEO, Page 6 to 11	
102-15	Key impacts, risks, and opportunities	Market Outlook, Page 30 to 31 Risks and Opportunities, Page 32 to 35 Risk Management, Page 127 to 136	
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102-16	Values, principles, standards, and norms of behavior	BPI Vision and Mission, inside front cover BPI Credo and Core Values, Page 1 Compliance - Codes of Business Conduct and Ethics, Page 140 to 143 Compliance - Company Policies and Standards, Page 143 to 147 ESG Matters, Page 148 to 156	
102-17	Mechanisms for advice and concerns about ethics	Compliance - Codes of Business Conduct and Ethics, Page 140 to 143 Compliance - Company Policies and Standards, Page 143 to 147	
Governance			
102-18	Governance structure	Corporate Governance, Page 91 to 121 Conglomerate Map, Page 122 Table of Organization, Page 123 Operating Management, Page 124 Internal Audit and Control, Page 125 to 126	
102-19	Delegating authority	ESG Matters, Page 148 to 156	
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102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance - Powers of the Board of Directors, Page 92 to 94	
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102-28	Evaluating the highest governance body's performance	Corporate Governance - Performance Evaluation and Self-Assessment, Page 111 to 113	
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GRI CONTENT INDEX

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102-43	Approach to stakeholder engagement	Stakeholder Engagement, Page 321 to 322	
102-44	Key topics and concerns raised	Stakeholder Engagement, Page 321 to 322	
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102-45	Entities included in the consolidated financial statements	Audited Financial Statements, Page 226	
102-46	Defining report content and topic boundaries	About The Report, Page 4 Material Topics, Page 323 to 324 GRI Content Index, Page 325 to 327	
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Disclosure Number	Disclosure Title	Page	Omission
GRI SPECIFIC DISCLOSURES			
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201: Economic Performance 2016			
103	Management approach	Economic Performance, Page 28 to 29 Stakeholder Engagement, Page 321 to 322	
201-1	Direct economic value generated and distributed	The Value We Create, Page 28 to 29	
205: Anti-Corruption 2016			
103	Management approach	Compliance - Company Policies and Standards, Page 143 Stakeholder Engagement, Page 321 to 322	
205-3	Confirmed incidents of corruption and actions taken	Compliance - Company Policies and Standards, Page 143	
GRI 300: ENVIRONMENTAL 2016 Reporting Boundary: Environmental indicators include all BPI Group branches and offices in the Philippines, excluding BanKo branches and BLUs due to insufficient system to capture BanKo data			
302: Energy 2016			
103	Management approach	Responsible Operations - Environmental Sustainability, Page 76 to 77 Stakeholder Engagement, Page 321 to 322	
302-1	Energy consumption within the organization	Responsible Operations - Environmental Sustainability, Page 76 to 77	
302-3	Energy intensity	Responsible Operations - Environmental Sustainability, Page 76 to 77	
103	Management approach	Responsible Operations - Environmental Sustainability, Page 76 to 77 Stakeholder Engagement, Page 321 to 322	
305-2	Energy indirect (Scope 2) GHG emissions	Responsible Operations - Environmental Sustainability, Page 76 to 77	
305-4	GHG emissions intensity	Responsible Operations - Environmental Sustainability, Page 76 to 77	
308: Supplier Environmental Assessment 2016 Scope and Boundary: All Facilities Services Group-managed suppliers of the BPI Group, excluding international offices			
103	Management approach	Responsible Operations - Social Responsibility, Page 87 Stakeholder Engagement, Page 321 to 322	
308-1	New suppliers that were screened using environmental criteria	Responsible Operations - Social Responsibility, Page 87	

Disclosure Number	Disclosure Title	Page	Omission
GRI 400: SOCIAL 2016 Reporting Boundary: All are consolidated figures of active employees of the BPI Group, excluding local hires of BPI international offices			
401: Employment 2016			
103	Management approach	Responsible Operations - Social Responsibility, Page 78 to 82 Stakeholder Engagement, Page 321 to 322	
401-1	New employee hires and employee turnover	Responsible Operations - Social Responsibility, Page 79 to 80	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Responsible Operations - Social Responsibility, Page 80 to 82 ESG Matters, Page 151 to 155	
401-3	Parental leave	Responsible Operations - Social Responsibility, Page 82	
403: Occupational Health and Safety 2018			
103	Management approach	Responsible Operations - Social Responsibility, Page 83 ESG Matters - Employee Health and Safety, Page 153 to 154 Stakeholder Engagement, Page 321 to 322	
403-1	Occupational health and safety management system	Responsible Operations - Social Responsibility, Page 83 ESG Matters - Employee Health and Safety, Page 153 to 154	
403-2	Hazard identification, risk assessment, and incident investigation	Responsible Operations - Social Responsibility, Page 83 ESG Matters - Employee Health and Safety, Page 153 to 154	
403-3	Occupational health services	Responsible Operations - Social Responsibility, Page 83 ESG Matters - Employee Health and Safety, Page 153 to 154	
403-4	Worker participation, consultation, and communication on occupational health and safety	Responsible Operations - Social Responsibility, Page 83 ESG Matters - Employee Health and Safety, Page 153 to 154	
403-5	Worker training on occupational health and safety	Responsible Operations - Social Responsibility, Page 83 ESG Matters - Employee Health and Safety, Page 153 to 154	
403-6	Promotion of worker health	Responsible Operations - Social Responsibility, Page 83 ESG Matters - Employee Health and Safety, Page 153 to 154	
403-8	Workers covered by an occupational health and safety management system	Responsible Operations - Social Responsibility, Page 83 ESG Matters - Employee Health and Safety, Page 153 to 154	
404: Training and Education 2016			
103	Management approach	Responsible Operations - Social Responsibility, Page 81 Stakeholder Engagement, Page 321 to 322	
404-1	Average hours of training per year per employee	Responsible Operations - Social Responsibility, Page 81	
404-2	Programs for upgrading employee skills and transition assistance programs	Responsible Operations - Social Responsibility, Page 81 ESG Matters - Employee Training and Development, Page 151 to 152	
405: Diversity and Equal Opportunity 2016			
103	Management approach	Responsible Operations - Social Responsibility, Page 78 to 82 Corporate Governance - Diversity, Page 95 to 99 Stakeholder Engagement, Page 321 to 322	
405-1	Diversity of governance bodies and employees	Responsible Operations - Social Responsibility, Page 78 to 82 Corporate Governance - Diversity, Page 95 to 99	
406: Non-Discrimination 2016			
103	Management approach	ESG Matters, Page 154 Stakeholder Engagement, Page 321 to 322	
406-1	Incidents of discrimination and corrective actions taken	ESG Matters, Page 154	
410: Security Practices 2016 Reporting Boundary: All local branches and offices of the BPI Group			
103	Management approach	Responsible Operations - Social Responsibility, Page 83 Risk Management, Page 131 to 133 ESG Matters, Page 153 Stakeholder Engagement, Page 321 to 322	
410-1	Security personnel trained in human rights policies or procedures	Responsible Operations - Social Responsibility, Page 83 ESG Matters, Page 153	
414: Supplier Social Assessment 2016 Reporting Boundary: All Facilities Services Group-managed suppliers of the BPI Group, excluding international offices			
103	Management approach	Responsible Operations - Social Responsibility, Page 87 Stakeholder Engagement, Page 321 to 322	
414-1	New suppliers that were screened using social criteria	Responsible Operations - Social Responsibility, Page 87	
417: Marketing and Labeling 2016 Reporting Boundary: All processes and parties involved in the BPI Groups' Customer Assistance Program			
103	Management approach	Responsible Operations - Social Responsibility, Page 86 to 87 ESG Matters, Page 150 to 151 Stakeholder Engagement, Page 321 to 322	
417-2	Incidents of non-compliance concerning product and service information and labeling	Responsible Operations - Social Responsibility, Page 87 ESG Matters, Page 151	

SASB CONTENT INDEX

Disclosure Topic	Accounting Metric	Metric Code	Disclosure Reference
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected	FN-CB-230a.1	Responsible Operations - Data Privacy, Page 86
	Description of approach to identifying and addressing data security risks	FN-CB-230a.2	Responsible Operations - Data Privacy, Page 85
Financial Inclusion & Capacity Building	(1) Number and (2) amount of loans outstanding qualified to programs designed to promote small business and community development	FN-CB-240a.1	Responsible Banking - Financial Inclusion, Page 62
	(1) Number and (2) amount of past due and nonaccrual loans qualified to programs designed to promote small business and community development	FN-CB-240a.2	Information on BanKo's NPLs is available on the Balance Sheet disclosure to the BSP
	Number of no-cost retail checking accounts provided to previously unbanked or underbanked customers	FN-CB-240a.3	Responsible Banking - Financial Inclusion, Page 62
	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	FN-CB-240a.4	Responsible Banking - Financial Inclusion, Page 63 BPI Foundation, Page 83 to 85
Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Commercial and industrial credit exposure, by industry	FN-CB-410a.1	Audited Financial Statement, Page 316
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	FN-CB-410a.2	Risk Management (Environmental and Social Risks), Page 34 to 35, 134 to 135; Business Review (Environmental Risk Assessment), Page 50
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	FN-CB-510a.1	There were no monetary losses from legal cases arising from business ethics issues in 2020
	Description of whistleblower policies and procedures	FN-CB-510a.2	Compliance, Page 144
Systemic Risk Management	Global Systemically Important Bank (G-SIB) by category	FN-CB-550a.1	BPI does not qualify for a G-SIB score. The BSP does an annual review based on certain parameters to determine the Domestic Systematically Important Bank (D-SIB) status of Philippine banks.
	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	FN-CB-550a.2	Risk Management, Page 32 to 35, 135 to 136

STATEMENT OF **MANAGEMENT'S RESPONSIBILITY**

For Non-Financial Statements

The Management of the Bank of the Philippine Islands (BPI) collaborated and thought through the preparation of BPI's 2020 Integrated Report. This report is prepared based on the International Integrated Reporting Council (IIRC) Integrated Reporting <IR> Framework and Bangko Sentral ng Pilipinas (BSP) guidelines on the submission of Annual Reports, and references the Global Reporting Initiative (GRI) Standards and Sustainability Accounting Standards Board (SASB) standards for sustainability performance disclosures.

The Management supervised the publication of this report, and is responsible for ensuring the integrity of the report.

This report contains certain forward-looking statements that may involve risk or uncertainties as they relate to future events and circumstances that may be beyond BPI's control.

In addition, regulations of the Philippines Stock Exchange (PSE) prohibit making price-sensitive forecasts without considerable independent review. The Management therefore advises readers to use caution when interpreting any forward-looking statements in this report.

CEZAR P. CONSING
President and Chief Executive Officer

MARIA THERESA MARCIAL JAVIER
Executive Vice-President, Chief Finance Officer and Chief Sustainability Officer

INDEPENDENT ASSURANCE STATEMENT

Introduction

DNV GL AS Philippines Branch ("DNV") has been commissioned by the management of the Bank of the Philippine Islands ("BPI" or "the Bank", SEC Identification Number: PW-121) to undertake an independent assurance of the sustainability/non-financial disclosures in BPI's 2020 Integrated Report (the "Report") in its printed format for the year ended 31st December 2020. The intended users of this Assurance Statement are the management of the Bank.

We performed this assurance engagement using DNV's assurance methodology VeriSustain™[1], which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements (ISAE) 3000 Revised*, along with the Global Reporting Initiative's ("GRI's") Principles for Defining Report Content and Report Quality and the Sustainability Accounting Standards Board's ("SASB's") industry-specific Standards. The verification engagement was carried out during December 2020 - April 2021.

We understand that the reported financial data and related information are based on statutory disclosures and Audited Financial Statements#, which are subject to a separate independent statutory audit process. We did not review financial disclosures and data as they are not within the scope of our assurance engagement.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion related to assurance of non-financial sustainability disclosures in this Report. We are providing a 'limited level' of assurance based on DNV's VeriSustain, and no external stakeholders were interviewed as part of this assurance engagement.

The engagement excludes the sustainability management, performance, and reporting practices of BPI's suppliers, contractors, and any third parties mentioned in the Report. The Bank's position statements, the statements for the management approach, and case studies and examples are excluded from the scope of our work.

Responsibilities of the Management of the Bank of the Philippine Islands and of the Assurance Provider

The Board of BPI has sole responsibility for the preparation of the Report and is responsible for all information provided in the Report as well as the processes for collecting, analysing and reporting the information presented in the Report, including the references to the Bank's website. BPI is also responsible for ensuring the maintenance and integrity of the non-financial disclosures in its website which are referenced within this Report.

BPI has stated that this Report has been prepared based on the Guiding Principles and Content Elements of the International <IR> Framework (the "<IR> Framework") and has adopted general disclosures and selected topic-specific disclosures related to identified material topics from the GRI Standards 2016 as well as the SASB Standards 2018 (Commercial Banks).

DNV's assurance engagements are based on the assumption that the data and information provided by the Bank to us as part of our review have been provided in good faith, true, and free from material misstatements. Because of the selected nature (sampling) and other inherent limitation of both procedures and systems of internal control, there remains the unavoidable risk that errors or irregularities, possibly significant, may not have been detected. DNV was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Our verification engagement included a limited level of verification of sustainability performance disclosures for the identified material topics of BPI. This is as identified under the reporting boundary which has been brought out in the Report in the sections "About the Report" and the

[1] The VeriSustain protocol is available on www.dnv.com.
* Assurance Engagements other than Audits or Reviews of Historical Financial Information.
\# Dated 24th February 2021

GRI Content Index. Our verification applies a ±5% uncertainty threshold towards errors and omissions for the performance data brought out in the Report.

Basis of our Opinion and Limitations

We planned and performed our work to obtain the evidence considered necessary to provide a basis for our assurance opinion. As part of our assurance engagement, we adopted a risk-based approach, i.e. we concentrated our verification efforts on the issues of high material relevance to BPI and its key stakeholders. A multi-disciplinary team of sustainability and assurance specialists reviewed non-financial disclosures related to BPI with management teams at its Head Office in Makati City. Due to the outbreak of the COVID-19 pandemic and associated travel restrictions, we carried out remote assessments as one-to-one discussions and onsite location assessments were not feasible. We undertook the following activities:

- Review of the non–financial sustainability disclosures in this Report;
- Review of approaches to materiality determination and stakeholder engagement; DNV did not have any direct engagement with external stakeholders;
- Review of information provided to us by the Bank on its reporting and management processes related to sustainability performance for the reporting year based on the reporting framework adopted by BPI;
- Interviews with selected members of leadership team, and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed. We were free to choose interviewees and interviewed those with overall responsibility for the programmes to deliver the targets for medium- and long-term vision, mission and milestones;
- Performed desk review of selected sustainability parameters for sampled entities, and findings were discussed and resolved with the Corporate Sustainability Team;
- Carried out remote assessments with teams at the Head Office at Makati City to review the processes and systems for preparing and collating site level sustainability data and implementation of sustainability strategies. We were free to choose the sites for remote assessment or verification based on our sampling plan;
- Review of supporting evidence for key claims and data disclosed in the Report. Our verification processes were prioritized based on our risk-based approach, i.e. relevance of identified material topics and sustainability context of the business; and
- Review of the processes for gathering and consolidating the performance data and, for a sample, checking the data consolidation at site and corporate levels.

The procedures performed in a limited assurance engagement vary in nature and timing and are shorter in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed. During the assurance process, we did not come across limitations to the scope of the agreed assurance engagement.

Opinion and Observations

On the basis of the assurance engagement undertaken, nothing has come to our attention to suggest that BPI's 2020 Integrated Report does not properly describe the non-financial performance of identified material topics based on the Guiding Principles and Content Elements of the International <IR> Framework ("<IR> Framework"). Without affecting our assurance opinion, we also provide the following observations against the principles of VeriSustain:

Stakeholder Inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The Report has identified clients, investors, employees, suppliers and contractors, government and regulatory authorities, and communities, non-government and civil society groups as the key stakeholder groups with whom the Bank engages with to create long-lasting shared value. The various modes of engagement which the Bank has in place to identify and respond to key concerns raised by these stakeholders are explained within the Report.

DNV

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Stakeholder Inclusiveness.

Materiality
The process of determining the issues that are most relevant to an organization and its stakeholders.

The Report brings out the process through which the topics that matter most to the Bank and stakeholders are identified. This process considers the outputs from stakeholder engagement exercises and internal reviews of macroeconomic trends and key sectoral issues and is annually reviewed to address the relevance of these topics to the Bank's stakeholders. The Bank has also aligned its materiality determination process to consider global environmental, social and governance (ESG) rating disclosures requested for by its investors.
Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

Responsiveness
The extent to which an organization responds to stakeholder issues.

The Report explains how identified material topics are aligned with the overall purpose of the Bank and incorporated into BPI's Sustainability Strategy Framework and taken into account while deciding on allocation of the Bank's capitals. The responses to key concerns raised through various stakeholder engagement mechanisms are also brought out within the Report. Non-financial performance related to identified material topics is represented through selected GRI Topic Specific Standards and SASB accounting metrics, as well as disclosures on how the Bank creates and distributes value to its stakeholders covering the six capitals of <IR> framework.
Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

Reliability
The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The majority of the performance disclosures verified through offsite verification and through desk reviews and remote verification, were found to be fairly accurate, reliable, identifiable and traceable to the source. Considering the limited sampling, we did not detect any major errors related to data collection or aggregation. We also reviewed the calculations and related assumptions used for its suitability, considering the principle of Reliability. Some of the data inaccuracies identified during the verification process were found to be attributable to interpretation and aggregation errors. These identified errors were communicated, and the responses and corrections made to the reported data and information were reviewed.
Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

Completeness
How much of all the information that has been identified as material to the organization and its stakeholders is reported.

The Report aligns itself to requirements related to the Content Elements of the <IR> framework to bring out disclosures on how value is created across the various capitals, the business model, strategies, management approaches and monitoring systems considering the identified scope and boundary of operations for each material topic. The performance of the Bank for the reporting period and related to material topics are brought out using chosen GRI Topic Specific Standards and SASB's accounting metrics.
Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness.

Neutrality
The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

DNV

The Report discloses the Bank's challenges, trends in performance and concerns of key stakeholders during the reporting period in a neutral, consistent and balanced manner in terms of content and presentation while applying adequate consideration to not unduly influence stakeholders' opinions made based on the reported data and information.
Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. We have complied with the DNV Code of Conduct[2] during the assurance engagement and maintain independence wherever required by relevant ethical requirements.

This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of any statement or datum included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward internal stakeholders interviewed during the assurance process.

DNV has provided assurance to Ayala Corporation, Manila Water Company Inc., Ayala Land Inc., Globe Telecom, Inc and AC Energy Corporation. In our opinion, there is no conflict of interest in the assurance engagement provided to the business units of Ayala Group. DNV did not provide any service to BPI in 2020 that could compromise the independence or impartiality of our work.

For and on behalf of DNV GL Business Assurance AS Philippines Branch

Radhakrishnan, Kiran — Digitally signed by Radhakrishnan, Kiran Date: 2021.04.10 09:29:56 +05'30'	Mak, Heng Chwin — Digitally signed by Mak, Heng Chwin Date: 2021.04.10 12:44:18 +08'00'
Kiran Radhakrishnan Lead Assessor DNV Business Assurance India Private Limited	Heng Chwin Mak Assurance Reviewer & Regional Manager APAC IME, DNV Business Assurance Singapore Pte. Ltd.

10h April 2021, Manila, Philippines

DNV GL AS Philippines Branch is part of DNV – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnv.com

[2] *The DNV Code of Conduct is available from the DNV website (www.dnv.com)*

PRODUCTS AND SERVICES

DEPOSITS

Peso
- Checking
- Savings
- Time

Foreign Currency
- Savings
- Time

Deposit Substitutes

LOANS

COMMERCIAL

Agribusiness
- Agricultural Production
- Post-Harvest Facilities

Trade and Supply Chain Finance

Trade
- Non-Letter of Credit
- Letter of Credit
- Standby Letter of Credit
- Trust Receipt Loans
- Export Advance Loans
- Export Bills Purchase
- BOC Customs Duties

Supply Chain
- Supplier Finance
- Receivable Finance

Structured Finance
- Project and Infrastructure Finance
- Cross Border Loans and Investments
- Other Structured Credits

Sustainable Development Finance
- Energy Efficiency
- Renewable Energy
- Climate Resilience
- Sustainable Agriculture

Guarantees and Funding
- Guarantee Facilities
- Funding Facilities

Leasing
- Finance Lease
- Operating Lease
- Full Service Operating Lease
- Term Loan
- Receivables Financing

SMALL MEDIUM ENTERPRISES

Loans
- Ka-negosyo Term Loan
- Ka-negosyo Credit Line
- SBC Standard Loan
- Zero Collateral
- Off-The-Shelf
- Commercial Asset Purchase (CAP)
- Business Franchise Financing (BFF)
- Merchant Loan
- Business Technology Loan (BizTech)
- Distributor's Circle
- Private Lite
- Supplier's Circle

MICROFINANCE
- BanKo NegosyoKo Loan
- PondoKo Savings Account
- BanKo Mobile

CONSUMER
- Auto Loans (BFSB)
- Housing Loans (BFSB)

FINANCIAL SERVICES (HONG KONG)
- Global Securities
- Foreign Fixed Income
- Bonds/Credits
- Collective Investment Schemes/Funds
- Equities
- Investment Management Account
- Multi-Currency Time Deposits
- Short Term Loans
- Foreign Exchange Spot

PAYMENTS AND SETTLEMENTS

Electronic Channels
- BPI BizLink
- BPI Online
- BPI Mobile App
- BPI Phone Banking
- BPI Automated Teller Machine (ATM)
- BPI Cash Accept Machine (CAM)

Unsecured Lending and Cards
- Credit Cards
- Debit Cards
- Prepaid Cards
- Personal Loans

Remittance
- Inward Cross-Boarder Remittance
  - *Settlement Modes*
    - Credit to BPI Account
    - Credit to Other Bank Accounts
    - Gift Remittance
    - Cash Pick-Up from BPI and BFSB Branches and Partner Outlets
- Outward Remittance
- Domestic Remittance
- Funds Transfer to other banks (InstaPay, PESONet, GSRT, PDDTS)
- Remit to Account (Credit to Account via Domestic Tie-Ups)
- Seafarer Allotment Distribution (Credit to BPI, Other Bank Accounts or E-wallets)

Cash Management

Collections
- Cash and Check Pick-Up
- Corporate Cash Deposit Machine (CCDM)
- Motorized Check Collection
- PDC Warehousing
- Remote Deposit Capture
- Auto Debit Arrangement (ADA)
- E-ADA Enrollment (e-ADA)
- Bills Collection
- Electronic Payment & Presentment (EIPP)

Disbursements
- Pay Bills
- Government Payments
- Pay Employees (Payroll)
- Pay BPI (Online Supplier Payments)
- Self-Service Check Disbursement
- Outsourced Check Disbursement
- Pay Non-BPI
- Pay Foreign Accounts
- Corporate ATM

Liquidity
- Account Inquiry and Transaction History
- Special Bank Statements (MT940 PH Standard, Multicash, BAI)
- Bank Statement Download
- Transfer to Own
- Account Sweeping

FI Depository Services

ASSET MANAGEMENT & TRUST INSTITUTIONAL FUND MANAGEMENT

Fund Management Solutions
- Corporate and Institutional Funds
- Pension and Provident Funds

Other Fiduciary Solutions
- Bond Trusteeship
- Loan Agency
- Escrow Agency
- Mortgage Trust Indenture
- Securities Custody Account

Wealth Management
- Regular Subscription Plan
- Personal Management Trust
- Investment Management Account

Personal Equity & Retirement Account (PERA)
- BPI PERA Money Market Fund
- BPI PERA Equity Fund
- BPI PERA Government Bond Fund
- BPI PERA Corporate Income Fund

INVESTMENT FUNDS

BPI Investment Funds

Peso
- BPI Invest Short Term Fund
- BPI Invest Money Market Fund
- BPI Invest Premium Bond Fund
- BPI Invest Balanced Fund
- ABF Philippines Bond Index Fund
- BPI Invest Philippine High Dividend Equity Fund
- BPI Invest Equity Value Fund
- BPI Invest Philippine Equity Index Fund
- BPI Invest Philippine Infrastructure Equity Index Fund
- BPI Invest Philippine Consumer Equity Index Fund
- BPI Fixed Income Portfolio Fund-of-Funds
- BPI Invest Catholic Values Global Equity Feeder Fund
- BPI Invest Bayanihan Balanced Fund

Foreign Currency
- BPI Invest US Dollar Short Term Fund
- BPI Invest Global Bond Fund-of-Funds
- BPI Invest Philippine Dollar Bond Index Fund
- BPI Invest Global Equity Fund-of-Funds
- BPI Invest US Equity Index Feeder Fund
- BPI Invest European Equity Feeder Fund
- BPI Invest US Dollar Income Feeder Fund

PRODUCTS AND SERVICES

Odyssey Funds
Peso
Odyssey Peso Medium Term Bond Fund
Odyssey Peso Bond Fund
Odyssey Diversified Capital Fund
Odyssey Diversified Balanced Fund
Odyssey Philippine Equity Fund
Odyssey Philippine High Conviction Equity Fund
Foreign Currency
Odyssey Philippine Dollar Bond Fund
Odyssey Asia Pacific High Dividend Equity Fund

BPI INVESTMENT MANAGEMENT INC.

Mutual Funds
ALFM Mutual Funds
ALFM Money Market Fund
ALFM Peso Bond Fund
ALFM Dollar Bond Fund
ALFM Euro Bond Fund
ALFM Growth Fund
Philippine Stock Index Fund
ALFM Global Multi-Asset Income Fund
PAMI Mutual Funds
Philam Managed Income Fund
Philam Bond Fund
Philam Dollar Bond Fund
PAMI Global Bond Fund
Philam Fund
PAMI Horizon Fund
PAMI Asia Balanced Fund
Philam Strategic Growth Fund
PAMI Equity Index Fund
Other BIMI Funds
Ekklesia Mutual Fund
Solidaritas Fund
Affinity Global Multi-Asset Fund
BPI Indices
BPI Philippine Government Bond Index
BPI Philippine Government Bond 1-3 Year Index
BPI Philippine Government Bond 1-5 Year Index
BPI Philippine Government Bond 5+ Year Index
BPI Philippine Government Liquid Bond Index
BPI Philippine Government Money Market Index
BPI Philippine Corporate Bond Index
BPI Philippine Equity Total Return Index
BPI Philippine Infrastructure Equity Index
BPI Philippine High Dividend Equity Total Return Index
BPI Philippine Consumer Equity Index

INVESTMENT BANKING

Equity Capital Markets
IPO/Follow-on Public Offering
Private Placements
Equity-linked instruments
Debt Capital Markets
Public Offers
Private Placements
Project Finance
Special Projects
Power & Infrastructure
PPP
Mergers and Acquisitions
Acquisitions
Joint Ventures and Mergers
Divestments
Loan & Credit Syndication
Bilateral Loans
Short-Term Notes
LBO Financing
Strategic Advisory
Funding Strategy
Capital, Corporate & Governance Structuring
Private Equity and other Investor Placements
Transition (2G → 4G)
Merchant Banking
Partner of Choice
Equity
Securities Distribution and Trading
Philippine Sovereign Debt
Treasury Bills and Notes
Retail Treasury Bonds
Corporate Bonds
Proprietary Investments
Merchant Banking
Broker/Dealer of the Philippine Equities
Online Trading
Broker-Assisted Advisory
Settlement and Custody
Market and Equity Research
Corporate Actions
Financial Education and Client Support
Treasury Solutions
Foreign Exchange
Fixed Income Securities
Derivatives & Hedging Solutions
Forward Contracts (Deliverable Forwards and Non-Deliverable Forwards)
Swap Contracts (Foreign Exchange Swaps, Interest Rate Swaps, Cross Currency Swaps, Non-Deliverable Swaps)

INSURANCE

Individual Account / In-Branch
Family Care Plus
Build Estate Plus
Life Ready Plus
Life Protect
Accident Guard 24/7
Life Extreme Protect
Critical Care Max
Critical Care Plus
Build Life Plus
Invest Peso Max
Invest Dollar Max
Preferred Life Plus
Dollar Protect Plus
Critical Care 100
BPI-Philam Direct
Smart Shield
Life Protect Health Direct
Smart Health Shield Series
Corporate Solutions
Corporate Essentials
Health Essentials
Corporate Personal Accident
Credit Life
Voluntary Solutions (Group Term Life, Group Accident, Group Credit Life, Group Critical Illness)
Non-Life
Fire
Motor
Personal Accident
Casualty
Marine and Aviation
Engineering
Surety Bond
Microinsurance

AWARDS AND CITATIONS

INSTITUTIONAL: BPI

- Best Bank in the Philippines, Euromoney Awards for Excellence 2020
- Silver Anvil for Public Relations Program Directed at Consumers, #BPIcybersecuritips: Championing Cybersecurity Awareness, Anvil Awards 2020
- Silver Stevie for Innovations in Community Relations or Public Service Communications, #BPIcybersecuriTips: Championing Cybersecurity Awareness, Stevie Awards 2020
- Bronze Stevie for Innovation in the Use of Social Media, #BPIcybersecuriTips: Championing Cybersecurity Awareness, Stevie Awards 2020
- Gold Award for Excellence in Brand Positioning, Panata People's Choice Awards 2020: Project Next Gen
- Gold Award for Gawad Pandayon Courage, Panata People's Choice Awards 2020: Project Now

BPI CAPITAL

- Best Investment Bank, Global Business Outlook 2020
- Best Investment Bank in the Philippines, Alpha Southeast Asia's 14th Annual Best Financial Institution Awards 2020
- Best Bank for Sustainable Financing in the Philippines, Alpha Southeast Asia's 14th Annual Best Financial Institution Awards 2020
- Best Corporate Bond (Asia Pacific) for its $400M AC Energy Philippines "Fixed for Life" green perpetual bonds issuance, The Banker Deal of the Year Awards 2020
- Green Project of the Year (Philippines) for AC Energy Finance International US$410 million CBI-certified climate bonds, The Asset Triple A Infrastructure Awards 2020
- Mergers & Acquisitions Deal of the Year (Philippines), Asian Banking and Finance Awards 2020
- Debt Deal of the Year (Philippines) Asian Banking and Finance Awards 2020
- Best Local Currency Bond Deal of the Year (Philippines) for SM Investment Corporation's Php 10 billion Fixed Rate Bonds, Alpha Southeast Asia Best Deal and Solution Awards 2020
- Best Sovereign Bond Deal of the Year for Republic of the Philippines' Php 516.34 billion 5-Year Retail Treasury Bonds, Alpha Southeast Asia Best Deal and Solution Awards 2020
- Best Equity Deal of the Year (Philippines) for Converge's Php 29.1 billion IPO, Alpha Southeast Asia Best Deal and Solution Awards 2020
- Best ESG Green Financing in Southeast Asia (Indonesia) for Star Energy's US$1.11 billion Dual-Tranche Senior Secured Green Notes, Alpha Southeast Asia Best Deal and Solution Awards 2020
- Best ESG Green Financing in Southeast Asia: Philippines for Manila Water Company's US$500 million Sustainability Notes, Alpha Southeast Asia Best Deal and Solution Awards 2020
- Megatrend Deal of the Year – ESG (Environmental, Social, and Corporate Governance) for the Darajat's $1.1-billion secured green bond for Star Energy Geothermal Salak, FinanceAsia Magazine
- Best of Southeast Asia for Darajat's $1.1-billion secured green bond for Star Energy Geothermal Salak, FinanceAsia Magazine
- Best of Southeast Asia for AREIT, Inc's Php 12.3-billion initial offering (IPO), FinanceAsia Magazine
- Best Green Bond (Philippines) for AC Energy Finance International's USD 400-million fixed-for-life perpetual green bond, The Asset Asian 2020 Country Awards
- Best Social Bond (Philippines) for Php 21.5 billion COVID Action Response (CARe) bonds, The Asset Asian 2020 Country Awards
- Best Sustainability Bond (Corporate) for Manila Water Company's US$500 million Sustainability Notes, The Asset Asian 2020 Country Awards
- Best Philippine IPO for 2020 for AREIT, Inc's Php 12.3-billion initial offering (IPO), The Asset Asian 2020 Country Awards
- Best New Bond (Philippines) for Jollibee Worldwide Private Limited's USD 600-million perpetual capital securities, The Asset Asian 2020 Country Awards
- Best Advisory Deal (Small Cap) for Globe Telecom acquisition of EC Pay, IHAP Awards 2020
- Best Fixed Income Deal (Large Cap) for AC Energy $400M Perpetual Green Bond, IHAP Awards 2020
- Best Project Finance Deal (Large Cap) - Atlantic Aurum Investments Philippines Corp, IHAP Awards 2020
- Equity Market Deal of the Year for AREIT, Inc.'s IPO, ALB Philippine Law Awards 2020
- Finance Deal of the Year for AEV's Bond Issuance, ALB Philippine Law Awards 2020

GLOBAL MARKETS

- Top 5 PDDTS-PvP Participant (Ranking 4th), 2020 PDS Annual Awards
- Top 5 Corporate Securities Market Makers (Ranking 3rd), 2020 PDS Annual Awards
- Top 5 Fixed Income Dealing Participant (Ranking 2nd), 2020 PDS Annual Awards
- Philippines Domestic Foreign Exchange Bank of the Year, 2020 Asian Banking & Finance Wholesale Banking Awards
- Best FX Bank for Retail Clients, 10th Annual Alpha Southeast Asia Treasury and FX Awards
- Best Service Provider in Risk Management, The Asset Triple A Treasury, Trade, SSC, and Risk Management Awards 2020
- Best FX Bank for Corporates and FIs, 10th Annual Alpha Southeast Asia Treasury and FX Awards
- Best FX Bank for CCS, IRS, Forward & Options Hedging (Corporate, FIs, & SMEs), 10th Annual Alpha Southeast Asia Treasury and FX Awards
- Silver Anvil for Public Relations Tools - Multimedia Tool for Employee Training Program, BPI GMG Huddle, 55th Anvil Awards 2020
- 2nd Best Local Currency Bond Individual for Research, Asian Local Currency Bond Benchmark Review, The Asset Benchmark Research Awards 2020
- 3rd place, Investors' Choice Category for Primary Bond Issuances in the Philippines, The Asset Benchmark Research Awards 2020

AWARDS AND CITATIONS

TRANSACTION SERVICES
- Best Trade Finance Bank, Global Finance 2020
- Best Trade Finance Bank, Global Business Outlook 2020
- Best Trade Finance Bank, Alpha Southeast Asia Awards
- Best Cash Management Bank, Global Finance 2020
- Best Service Provider in Trade Finance, The Asset Triple A Awards
- Best Service Provider in Supply Chain, The Asset Triple A Awards

BPI ASSET MANAGEMENT AND TRUST CORPORATION
- Best Asset Manager – Philippines, International Finance Awards
- Best Asset Manager - Money Market Fund, Alpha Southeast Asia Awards
- Best Overall Asset & Fund Manager, Alpha Southeast Asia Awards
- Best Fund w/ the Optimal Information Ratio, Alpha Southeast Asia Awards
- Asset Management Company of the Year – Highly Commended, The Asset Triple A Sustainable Investing Awards 2020 for Institutional Investor, ETF and Asset Servicing Providers
- Best Dollar Equity Fund, Chartered Financial Analyst (CFA) Society – Philippines Best Managed Funds Awards 2020

BPI INVESTMENT MANAGEMENT INC.
- ALFM Dollar Bond Fund, Best Managed Fund of the Year Award
- 2020 Dollar Medium Term HTM Valuation Category, CFA Society Philippines

SUSTAINABLE DEVELOPMENT FINANCE
- Best Sustainable Bank in the Philippines, FinanceAsia Country Awards 2020
- Highly Commended Bank in Environmental Responsibility, The Asset ESG Corporate Awards 2019
- Best Sustainable Finance House, Marquee Awards of the Alpha Southeast Asia Deal & Solution Awards

BPI FOUNDATION
- Silver Anvil for PR Tools: External Publications Technological, Social, and Market Innovations in Social Enterprises: The BPI Sinag Accelerate Initiative, 55th Anvil Awards
- Gold Anvil for Sustained PR Programs for the Environment, Science and Technology: BPI-DOST Science Awards 2019: Moving the Nation towards Sustainable Development through Science and Innovation, 55th Anvil Awards
- Outstanding Achievement in Advocacy Marketing, Agora Awards 2020

RISK MANAGEMENT
- 2020 House of the Year – Philippines, Asia Risk Awards
- 2020 Bank Risk Manager of the Year (Marita Socorro D. Gayares), Asia Risk Awards

BPI FAMILY SAVINGS BANK AND BPI BUSINESS BANKING
- Best SME Bank in the Philippines, Alpha Southeast Asia Awards 2020

REMITTANCE AND FUND TRANSFERS
- STP (Straight-Through Processing) Efficiency Recognition: 99.72% STP for MT103s, JP Morgan & SWIFT Score Initiative

CORPORATE GOVERNANCE
- Third Prize, Best in Corporate Governance, FinanceAsia Awards 2020
- ASEAN Asset Class Awardee (Regional recognition), Institute of Corporate Directors
- Golden Arrow Awardee (Domestic recognition), Institute of Corporate Directors

RETAIL SEGMENTS CUSTOMER STRATEGY – OF SEGMENT
- Gold Anvil for Digital PR Programs for Education and Literacy: How To Be Rich Po? An Online Financial Wellness Forum, 55th Anvil Awards

UNSECURED LENDING AND CARDS GROUP
- Marie Josephine Ocampo, EVP and Head of Unsecured Lending and Cards Group, as Woman of Style and Substance, People Asia 2020

MEMBERSHIP INDUSTRY ASSOCIATIONS

ACI Philippines The Financial Markets Association
Association of Bank Remittance Officers
Association of Certified Anti-Money Laundering Specialist
Association of Foundations (Philippines)
Association of Philippine Correspondent Bank Officers
Bank Marketing Association of the Philippines
Bank Security Management Association
Bankers Association of the Philippines
Bankers Institute of the Philippines
British Chamber of Commerce Philippines
Business Continuity Institute
Chamber of Thrift Banks, Inc.
Credit Card Association of the Philippines
Credit Management Association of the Philippines
Financial Executive Institute of the Philippines
Foundation For Economic Freedom, Inc.
Fund Managers Association of the Philippines
Good Governance Advocates and Practitioners of the Philippines
I.T. Interaction Philippines Inc.
Information System Audit and Control Association
Institute of Corporate Directors, Inc.
Institute of Internal Auditors
Integrated Bar of the Philippines
Investment House Association of the Philippines
Korean Chamber of Commerce Philippines
League of Corporate Foundations, Inc.
Management Association of the Philippines
Marketing & Opinion Research Society of Philippines
Money Market Association of the Philippines
Philippine Association of National Advertisers, Inc.
Philippine Association of Stock Transfer and Registry Agency Inc.
Philippine Business for the Environment
Philippine Institute of Certified Public Accountants
Philippine Stock Exchange, Inc.
Rural Bank Association of the Philippines
Tax Management Association of the Philippines
The Japanese Chamber of Commerce & Industry Philippines
Trust Officers Association of the Philippines
Various Local Business Club

GROUP DIRECTORY

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BPI Century Tokyo Lease and Finance Corporation
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www.bpi-philam.com

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Partner-in-charge
John-John Patrick V. Lim
Accreditation number: 1775-A, Category A
Date Accredited: September 5, 2019
Expiry date of accreditation: September 4, 2022

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(632) 8836-7214

BPI is regulated by the Bangko Sentral ng Pilipinas
https://www.bsp.gov.ph

ABOUT THE COVER

BPI is committed to being "**A trusted lifeline for a new tomorrow, today.**" This means that we can be relied on, during good times and bad times. The Bank's digital capabilities have allowed our customers to execute their financial transactions remotely throughout the ongoing COVID-19 pandemic. We are committed to our customers, to growing our relationships with them, and to using technology and innovation to ensure that we are ready today, ready tomorrow.

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BPI

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