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You understand that: The information in the offering circular has been provided by BDO Unibank, Inc. (the **Issuer** or the **Bank**) in relation to its ₱500,000,000,000.00[1] Updated Bond Programme (the **Updated Bond Programme**) . The Sole Arranger has not independently verified all the information contained in the offering circular. The Sole Arranger (1) accepts no liability or responsibility for (a) the contents of this offering circular or for any other statement, made or purported to be made by the Sole Arranger or on its behalf in connection with the Issuer, (b) the accuracy or completeness of the information contained in the offering circular or on which the offering circular is based, or (c) the issue and offering of the Bonds, (2) nor makes any representation or warranty, express or implied, with respect to, the information contained in the offering circular or on which the offering circular is based. The Sole Arranger accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement.

This offering circular should not be considered as a recommendation by the Sole Arranger or any of their affiliates to any recipient of the offering circular in relation to the Updated Bond Programme. Each person to whom the offering circular is made available by the Sole Arranger must make its own independent assessment of the Transaction after making such investigation as it deems necessary.

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[1] On 25 April 2025, the board of directors of the Bank approved to increase the Bank's Peso Bond Programme by adding ₱382,800,000,000 to the Bank's ₱365,000,000,000.00 Bond Programme, which had an unissued portion of ₱117,200,000,000 prior to the increase, effectively resulting to ₱500,000,000,000.00.

OFFERING CIRCULAR 29 May 2025

BDO UNIBANK, INC.
(A BANKING CORPORATION ORGANIZED AND EXISTING UNDER PHILIPPINE LAWS)

₱500,000,000,000.00
UPDATED BOND PROGRAMME

Under this ₱500,000,000,000 updated Bond Programme (the **Updated Bond Programme**), BDO Unibank, Inc (**BDO**, the **Bank** or the **Issuer**) may offer from time to time, in one or more series of tranches, bonds (the **Bonds**), pursuant to BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), and any other circulars and regulations as may be relevant for the transaction, as amended from time to time. On 25 April 2025, the board of directors of the Bank approved to increase the Bank's Peso Bond Programme by adding ₱382,800,000,000 to the Bank's ₱365,000,000,000.00 Bond Programme[2], which had an unissued portion of ₱117,200,000,000 prior to the increase, effectively resulting to ₱500,000,000,000.00.

The Bonds constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, enforceable according to Terms and Conditions of the Bonds, and shall at all times rank pari passu and ratably without any preference or priority amongst themselves, and at least pari passu with all other present and future direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank, except for any obligation enjoying a statutory preference or priority established under Philippine laws.

The Bonds will be issued in scripless form, and will be registered and lodged with the Registrar through the Registry in the name of the Bondholders. The Bonds will be represented by a Bond Certificate deposited with the Registrar. The electronic registry book of the Registrar (the **Registry**) shall serve as the best evidence of ownership with respect to the Bonds. However, a written advice will be issued by the Registrar to the Bondholders to confirm the registration of Bonds in their name in the Registry including the amount and summary terms and conditions of the Bonds (the **Registry Confirmations**).

The Bank has a Baa2 rating for its long-term local currency bank deposits from Moody's Investor Services. The Bank also has an Issuer/Debt Rating (long-term) of BBB- from Fitch Ratings. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency concerned. The Bonds are not rated.

Bonds issued under the Updated Bond Programme will be listed by the Bank in the Philippine Dealing & Exchange Corp. (**PDEx**). Once registered and lodged, the Bonds will be eligible for transfer through the trading participants of the PDEx upon listing of the Bonds in PDEx by electronic book-entry transfers in the Registry, and issuance of Registry Confirmations in favor of transferee Bondholders.

SOLE ARRANGER

SELLING AGENTS

ADVISOR

[2] The Bonds to be issued under the Updated Bond Programme when added to the aggregate nominal amount of all Bonds previously or simultaneously issued shall not exceed ₱747,800,000.00

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The date of this Offering Circular is 29 May 2025.

The Bonds will be issued pursuant to BSP Circular No. 1010 (Series of 2018), BSP Circular No. 1062 (Series of 2019), Circular No. 1185 (Series of 2023) and other related circulars and issuances of the BSP (the BSP Rules). The issuance of the Bonds is exempt from the registration requirement under the Securities Regulation Code pursuant to Section 9.1(e) of the said law. This offering circular (**Offering Circular**) has been prepared solely for the information of persons to whom it is transmitted by ING Bank N.V., Manila Branch as the Sole Arranger and Selling Agent, BDO Capital & Investment Corporation (**BDO Capital**) as the Advisor, or the Bank, with respect to the Updated Bond Programme. This Offering Circular shall not be reproduced in any form, in whole or in part, for any purpose whatsoever nor shall it be transmitted to any other person.

The Bank confirms that this document contains all information with respect to the Bank and its subsidiaries and associates (collectively, the **Group**) and the Bonds which is material in the context of the issue and offering of the Bonds, that the information contained herein is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Bonds, make this document as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect and that all reasonable enquiries have been made by the Bank to verify the accuracy of such information. The Bank accepts full and sole responsibility accordingly.

The Sole Arranger and the Selling Agents have not independently verified the information contained or incorporated by reference herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Sole Arranger or Selling Agents as to the accuracy or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank in connection with the offering of the Bonds. To the fullest extent permitted by law, each of the Sole Arranger and Selling Agents assumes no liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Bank or any statement made or purported to be made by the Sole Arranger or Selling Agents or any of its affiliates or advisors, in connection with the offering of the Bonds. No person is or has been authorized by the Bank or the Sole Arranger or Selling Agents to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorized by the Bank or the Sole Arranger or Selling Agents. Neither this Offering Circular nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluations or (b) should be considered as a recommendation by the Bank or the Sole Arranger or the Selling Agents that any recipient of this Offering Circular, or any other information supplied in connection with the offering of the Bonds, should purchase any Bonds. Each investor contemplating to purchase any Bonds should rely on its own examination of the Bank and the terms of the offering of the Bonds, including the merits and risks involved. By receiving this Offering Circular, the prospective Bondholder acknowledges that (i) it has not relied on the Sole Arranger or the Selling Agents or any person affiliated with them in connection with its investigation of the accuracy of any information in this Offering Circular or its investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Bank, the Group or the Bonds and other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank or the Sole Arranger or the Selling Agents.

In making an investment decision, you must rely on your own examination of the Bank and the terms of the offering of Bonds, including the merits and risks involved. By receiving this Offering Circular, you acknowledge that (i) you have not relied on the Sole Arranger nor the Selling Agents, nor Development Bank of the Philippines – Trust Banking Group (the **Trustee**), nor any person affiliated with the Sole Arranger, Selling Agents or the Trustee in connection with your investigation of the accuracy of any information in this Offering Circular or your investment decision, and (ii) no person has been authorized to give any information or to make any representation concerning the Bank, the Group or the Bonds other than as contained in this Offering Circular and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Bank, or the Sole Arranger, the Selling Agents or the Trustee.

Each of the Sole Arranger and the Trustee is a third party that has no subsidiary or affiliate or any other relationship with the Bank that would undermine its independence.

Neither the delivery of this Offering Circular nor the offer of Bonds shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Bank or the

Group since the date of this Offering Circular or that any information contained herein is correct as at any date subsequent to the date hereof. Each of the Sole Arranger and the Selling Agents expressly does not undertake to review the financial condition or affairs of the Bank during the life of the Bonds or to advise any investor in the Bonds of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Bonds.

None of the Bank, the Sole Arranger, the Selling Agents or the Trustee, or any of their respective affiliates, associates or representatives is making any representation to any purchaser of the Bonds regarding the legality of an investment by such purchaser under applicable laws. In addition, you should not construe the contents of this Offering Circular as legal, business or tax advice. You should be aware that you may be required to bear the financial risks of an investment in the Bonds for an indefinite period. You should consult with your own advisers as to the legal, tax, business, financial and related aspects of a purchase of Bonds.

This Offering Circular does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make any such offer or solicitation. Each investor in the Bonds must comply with all applicable laws and regulations in force in the jurisdiction in which it purchases or offers to purchase such Bonds, and must obtain the necessary consent, approval, or permission for its purchase, or offer to purchase such Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchase or offer, and neither the Bank nor the Sole Arranger shall have any responsibility thereof. Interested investors should inform themselves as to the applicable legal requirements under the laws and regulations of the countries of their nationality, residence, or domicile and as to any relevant tax or foreign exchange control laws and regulations that may affect them. See "*Distribution and Sale*".

The Bank's audited financial statements as of and for the years ended 31 December 2022, 2023 and 2024 and the reviewed consolidated financial statements for the three months ended 31 March 2024 and 2025 which will be considered an integral part hereof, have been prepared in compliance with Philippine Financial Reporting Standards (**PFRS**). The Bank's financial statements as of and for the years ended 31 December 31 2022, 2023 and 2024 were audited by, and the Bank's reviewed consolidated financial statements for the three months ended 31 March 2024 and 2025 were reviewed by Punongbayan & Araullo. The Bank may from time to time include interim reviewed consolidated financial statements in the relevant Pricing Supplements for the Bonds offered out of the Updated Bond Programme. These interim financial statements will not be audited by the Bank's auditors.

Conventions

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "Philippines" are references to the Republic of the Philippines. All references herein to the "Government" are references to the Government of the Philippines. All references herein to "United States" or "U.S." are to the United States of America. Unless otherwise specified or the context otherwise requires, references herein to "U.S. dollars" and "U.S. $" are to the lawful currency of the United States of America and references herein to "Pesos" and "₱" are to the lawful currency of the Republic of the Philippines. Certain monetary amounts and currency translations included in this document have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures, which precede them. References in this document to ownership interests are, save as otherwise disclosed, as at the date of this document.

Forward-looking Statements

All statements contained in this Offering Circular that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "plan", "will" and "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group's expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Group's business strategy, revenue and profitability, planned projects and other matters discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Bank or any third party) involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Each of the Bank and the Sole Arranger and Selling Agents expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Bank's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based.

Industry and Market Data

Unless otherwise indicated, all industry and market data with respect to the Philippine banking and financial services industries was derived from information compiled and made available by the BSP or other public sources. While the Bank has ensured that such information has been extracted accurately and is believed by the Bank to be reasonable and presented in its proper context, the Bank has not independently verified any of the data from third-party sources or ascertained the correctness of the underlying economic assumptions relied upon therein.

Unless otherwise indicated, the description of the Bank's business activities in this Offering Circular is presented on a consolidated basis. For further information on the Group, see "*Description of the Bank — Subsidiaries and Affiliates*".

Pricing Supplement

For each issuance of Bonds under the Bank's Updated Bond Programme, the Bank shall distribute the Pricing Supplement which shall be disclosed to the public.

The Pricing Supplement shall contain the following information:

(a) Name of the issuer;
(b) Description of the issue;
(c) Description of the specified currency or currencies;
(d) Description of the offer size of the specific offering;
(e) Description of the manner of distribution;
(f) Description of the issue size;
(g) Description of the form and denominations of the Issuance;
(h) Description of the use of proceeds;
(i) Description of the timetable and offer period;

(j) Description of the interest rate and the mode of settlement of the offering;
(k) Description of the interest payable;
(l) Description of the provisions relating to redemption;
(m) Parties to the offering; and
(n) Relevant payment account.

The Pricing Supplement shall also contain amendments or updates to this Offering Circular, if any.

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DOCUMENTS INCORPORATED BY REFERENCE

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

(a) The most recently published audited non-consolidated and (if produced) consolidated annual financial statements and, if published later, the most recently published unaudited interim non-consolidated and (if produced) consolidated financial results of the Issuer, (see *"Selected Financial Information"* for a description of the financial statements currently published by the Issuer); and
(b) All supplements or amendments to this Offering Circular prepared by the Issuer from time to time.

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

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

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

GENERAL DESCRIPTION OF THE UPDATED BOND PROGRAMME

Under the ₱500,000,000.00 Updated Bond Programme, the Issuer, subject to compliance with all relevant laws, regulations, and directives, may from time to time issue the Bonds, subject to the terms set out herein. On 25 April 2025, the board of directors of the Bank approved to increase the Bank's Peso Bond Programme by adding ₱382,800,000,000 to the Bank's ₱365,000,000,000.00 Bond Programme, which had an unissued portion of ₱117,200,000,000 prior to the increase, effectively resulting to ₱500,000,000,000.00.

A summary of the general terms and conditions of the Bonds appears below. The applicable terms of any Bond will be agreed between the Issuer and the relevant Arranger(s) prior to the issuance and will be set out in the Terms and Conditions of the Bonds endorsed on, attached to, or incorporated by reference into, the Bond Certificate for the relevant Bonds, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Bonds.

This Offering Circular and any supplement will only be valid for listing the Bonds on PDEx in an aggregate nominal amount which, when added to the aggregate nominal amount of all Bonds previously or simultaneously issued under the Updated Bond Programme, does not exceed ₱747,800,000,000[3].

[3] This includes the ₱247,800,000,000 bonds previously issued under the Bank's ₱365,000,000,000 Bond Programme.

OFFERING CIRCULAR SUMMARY

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

DESCRIPTION OF THE BANK

BDO Unibank, Inc. (**BDO** or the **Bank**) is a universal bank which provides a wide range of corporate and retail banking services. These services include traditional loan and deposit products, as well as treasury, trust and investments, investment banking, private banking, cash management, leasing and finance, remittance, insurance, rural banking, stock brokerage, retail cash cards and credit card services. The Bank is the product of a merger between Banco de Oro Universal Bank, Inc. (**BDO**) and Equitable PCI Bank, Inc. (**EPCIB**), which took effect on 31 May 2007. As at 31 December 2024, according to the statements of condition submitted by banks to the BSP, the Bank ranked as the number one bank in the Philippines in terms of total resources, gross customer loans, total deposits, capital, and total trust funds under management. The Bank's consolidated total resources were ₱4.9 trillion as at 31 December 2024, while total capital funds stood at ₱577.4 billion.

The Bank's strategic focus is to enhance its position as a leading full-service bank in the Philippines and to continue its focus on growing its business and improving operational efficiency. The Bank's principal markets are currently the top-tier corporate market, the middle-market banking segment (consisting of medium-sized corporations and small- and medium-sized enterprises (**SMEs**) and the retail/consumer market. The Bank's customers are based primarily in the Philippines, and include large multinational corporations with local operations. The Bank has experienced significant growth over the last few years arising from offering new products and services and as a result of recent mergers and acquisitions.

As at 31 December 2024, the Bank had a network of 1,791 operating domestic branches (including 569 BDO Network Bank, Inc. branches) and two full-service branches in Hong Kong and Singapore. As at 31 December 2024, its network includes 14 overseas remittance and representative offices across Asia, North America, and Europe, and 4,922 automated teller machines (**ATMs**), 411 cash accept machines (**CAMs**), and 481 branch universal machines (**UMs**). As at 31 December 2024, the SM Group was the Bank's largest shareholder group, with an effective common equity interest, along with other affiliated companies, of approximately 54.7% of the Bank's issued common shares.

As at 31 December 2024, the Bank had a market capitalisation on the Philippine Stock Exchange (**PSE**) of approximately ₱759 billion. The Bank's consolidated common equity tier 1 (**CET 1**) ratio, tier 1 capital adequacy ratio (**CAR**), and total CAR were 14.1%, 14.3% and 15.2%, respectively, as at 31 December 2024.

COMPETITIVE STRENGTHS

The Bank believes it has the following competitive advantages in relation to its competitors:

Leading brand name and banking franchise in the Philippines

The Bank believes that its combination of scale, reach, business mix, product offerings and brand recognition has made it a leading financial institution in the Philippines. According to statements of condition submitted by banks to the BSP, as at 31 December 2024, the Bank is the Philippines' largest bank in terms of total resources, customer loans, deposits, capital and trust assets. In addition, the Bank has one of the widest domestic branch networks in the Philippines, with 1,791 operating domestic branches (including 569 BDO Network branches) spanning all major cities across the country as at 31 December 2024. The Bank believes that all of these factors have helped to develop the BDO brand, which covers the Bank's entire range of banking products and financial services under a single brand name, as one of the most well-known in the domestic market. The Bank's premier branding and market dominance are also reflected in leading market shares across most business segments including corporate banking, retail banking, private banking, investment banking, rural banking, remittances and

credit cards. The Bank believes that its scale of operations and brand recognition support the continued growth and diversification of its business, network and product mix.

Diversified business model providing full-service operations

The Bank is a full-service universal bank offering a host of industry-leading banking products and services to serve the retail and corporate markets, including lending products (such as loan products tailored to corporate, middle market, SMEs and consumer loans), deposit products, foreign exchange, brokering, trust and investments, credit cards, cash management and remittances, among others. Through its subsidiaries, the Bank also offers leasing and financing, investment banking, private banking, bancassurance, insurance brokerage and stock brokerage services. See "– Subsidiaries and Affiliates". The Bank believes that its diversified business model with products and services catering to the changing needs of Filipino customers has provided it with a sustainable and diversified earnings stream, mainly comprising core interest income from lending activities, as well as growing non-interest income from service-based products. The Bank has implemented plans and strategies, such as the consolidation of BDO Life in 2016, increasing capabilities in wealth management, and leveraging its distribution network to cross-sell fee income generating products, which the Bank believes will increase the contribution of recurring fee income to its overall operating income. For the year ended 31 December 2024, the Bank's other operating income, mainly comprising non-interest income, increased by 8.4% to ₱77.7 billion from ₱71.7 billion in the year ended 31 December 2023. Moreover, the Bank believes that it has built a stable earnings base, wherein approximately 96.5% of its income is from recurring sources for the year ended 31 December 2024, rendering it less susceptible to market and industry volatility.

Customer-centric culture complemented by strategic distribution platform

The Bank believes it has instilled a "customer-centric culture" across its branches and personnel, embodied in its "We Find Ways" philosophy which it believes has elevated the customer convenience it offers to a higher level. For example, the Bank is the first Philippine bank to offer weekend operating schedules, and all of its branches operate on extended banking hours.

To efficiently serve its customers, the Bank's branch network stretches to cover all major cities in the Philippines, with the Bank often establishing multiple branches in general areas it has identified to have greater potential for business. The Bank believes that this extensive domestic distribution network, including strategic locations within SM malls and other high-customer traffic areas, allows it to have wide service coverage and geographic reach, as well as greater accessibility to its customers. As at 31 December 2024, the Bank had a network of 1,791 operating domestic branches (including 569 BDO Network branches) and two full-service branches in Hong Kong and Singapore. As at 31 December 2024, its network includes 14 overseas remittance and representative offices across Asia, North America, and Europe, and 4,922 ATMs, 411 CAMs, and 481 UMs. The Bank has also entered into numerous business arrangements with correspondent banks, designated agents and other joint venture and business partners worldwide.

As a result of these, the Bank believes its branches have one of the highest ratios of deposits per branch in the Philippines, enabling the Bank to rapidly expand its low-cost deposit base. Its low-cost deposit base (comprising demand and savings (**CASA**) deposits) increased from ₱2.6 trillion as at 31 December 2023 to ₱2.7 trillion as at 31 December 2024, representing a year-on-year growth of 6.1%. As at 31 December 2022, its CASA deposit base was at ₱2.5 trillion. As at 31 December 2022, 2023, and 2024, 78.8%, 71.6%, and 71.5%, respectively, of the Bank's total deposit base comprised CASA deposits. In addition, the Bank also believes that its branch network and premier customer service have allowed it to actively utilise its branches to expand its loan portfolio and transform its non-interest income franchise, mainly through aggressive cross-selling of loan and other fee income-related products and customer referrals across branches. The Bank believes that these endeavors will increase the ratio of recurring fee income to the Bank's overall operating income and reduce the Bank's reliance on trading and foreign exchange-related gains.

Scalable infrastructure platform for sustained growth

The Bank believes it has established a solid and scalable operating platform that allows it to implement its growth and expansion objectives. The Bank has achieved this mainly by making key investments in bank premises to support its expanding branch network, enhancing its business development capability, as well as upgrading its operations, processes, and IT applications to accommodate growing business volumes and changing market demands. In addition, the Bank has pursued a digital banking (online and mobile) strategy and offerings to create

new digital revenue opportunities to improve the Bank's operating performance and enhance user experience. The Bank believes that these initiatives make it well-placed to efficiently implement its continued goals of further large-scale expansion, business diversification and efficiency of service delivery.

Strong and experienced management team

The Bank believes it has assembled a strong management team, with significant experience and proven track records in Philippine banking. The Bank's senior executive officers (comprising officers from the senior vice-president level and above who head business or support groups) have an average of over 20 years of experience in the banking and financial services sectors, primarily with certain of the Philippines' largest and most well-known banks. In addition, the Bank's executives and officers have a broad range of experience in their respective areas of banking and finance, with certain executives and officers gaining international banking experience with some of the leading global financial institutions. The Bank believes that its management team has successfully and continually improved the Bank's operating and business fundamentals, contributing substantially to the Bank's organic and acquisitive growth and expansion, and provides the Bank with a significant competitive advantage.

Synergies with controlling shareholder group

The Bank believes it has and continues to leverage its position as the main banking arm of the SM Group, which is the Philippines' largest retail conglomerate and mall operator. As a result of this relationship, the Bank enjoys synergies with the SM Group, such as new business opportunities for joint project development, origination of mortgage products through referrals from residential real estate projects, cross-selling of products to customers and shared marketing networks, knowledge and expertise with respect to key economic sectors and business industries such as retail, middle market and real estate, and strategic locations of the Bank's branches and ATMs in SM Group malls located across the Philippines. The Bank also believes that its business segments and product lines effectively support the business objectives of other SM Group companies in the areas at loans, other types of financing and portfolio investments.

BUSINESS STRATEGIES

The Bank continues to build on its strong business franchise to maintain leadership positions across most business lines, as well as further strengthen its capabilities to support future growth and actively respond to strategic opportunities and market challenges. Over the long-term, the Bank aims to be the preferred bank in every market it serves and create shareholder value through superior returns. The key elements of the Bank's strategy are as follows:

Diversified and sustainable earnings stream

The Bank seeks to continue to grow its diversified and sustainable earnings stream generated from its core lending and deposit-generating activities, accrual and trading income from its investment portfolio and fee income from service-based businesses.

The Bank intends to continue to pursue focused loan growth to achieve a more balanced loan portfolio and more effectively manage its concentration risk. While the Bank believes it already maintains a diversified loan portfolio across various market segments, it intends to increase lending to the more profitable and growing consumer and middle-market segments. The Bank also expects to continue to leverage operating synergies with the SM Group to further diversify its earnings stream through product origination capabilities and fee-generating sources. In addition, to minimise the volatility of the Bank's income sources, the Bank has gradually built its non-interest earnings by generating increased income from its fee-generating services including, among others, asset/wealth management, electronic banking, insurance, credit cards and investment banking. The Bank also seeks to more efficiently manage its resources, such as its securities portfolio, to maximise both accrual and trading income.

Continue to expand distribution network to improve access to customers and reduce funding costs

The Bank plans to continue to build its branch network across the Philippines, to further improve access to its customers and more efficiently serve their needs. Through its expanding branch network, the Bank intends to drive lending and deposit taking initiatives, particularly in provincial areas, through its offerings of one-stop

banking services where customers can avail of a host of lending, deposit, investment products, and other financial services including access to a wide range of loan products, foreign exchange, insurance and trust services, in addition to more traditional deposit services. The Bank believes that its continuous expansion, acquisitions, and integration of newly acquired entities have and will continue to develop into operating leverage that will help the Bank grow faster, while keeping the growth of its operating expenses at a slower pace.

Prudent balance sheet management

The Bank intends to continue to implement a prudent and effective risk management culture while also seeking to maintain a strong capital position, high asset quality and a healthy balance sheet. The Bank has adopted and continues to adopt a conservative provisioning strategy even as its asset quality has remained stable despite steady loan growth. The Bank believes this approach will insulate the Bank against any downturns in the financial sector or in the domestic or global economies, and will maintain the Bank's robust asset quality metrics compared to the wider Philippine banking sector. In addition, the Bank intends to actively reduce its non-performing assets through various methods that include retail sales and joint property development, strengthening of its broker / employee network, and attractive payment and pricing terms.

Further develop operating systems, branch infrastructure and advertising efforts

The Bank has made, and intends to continue to make, strategic investments in increasing productive capacity to maintain its strong and modern operating infrastructure, allowing the Bank to accommodate future growth, ensure business continuity and enhance efficiency. The Bank expects these investments to generally be in the areas of office and network expansion, IT, operations and risk management. In addition, the Bank intends to continue improving its digital strategy and enhance its digital, online and mobile banking capabilities and digital offering to customers, in response to the growing impact of independent financial technology firms globally. The Bank also expects to continue to invest in analytics and big data to further enhance its cross-selling efforts.

The Bank also intends to maintain its extensive branding campaign to further create customer awareness and market visibility, thus enhancing the potential of its extensive distribution platform across varying media outlets. Accordingly, the Bank intends to implement continuing branch renovations and modernisation upgrades to corporate offices consistent with the Bank's enhanced image and branding.

Complement organic growth with mergers/acquisitions

To complement its organic growth and branch expansion, the Bank intends to consider opportunities for strategic mergers and acquisitions as they arise to further expand its market coverage and tap emerging and potential businesses. The Bank will evaluate potential acquisitions on an opportunistic basis as an alternative means of expanding its coverage and product offering.

RECENT DEVELOPMENTS

Recent Offers and Capital Raising Transactions

On 16 May 2022, the Bank disclosed that it has issued its U.S. $100 million maiden Blue Bond, through an investment from the IFC, for waste and wastewater management projects to address water scarcity and ocean pollution in the Philippines.

On 29 January 2024, the Bank issued ₱63.3 billion of fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.0% per annum and will mature on 29 July 2025.

On 24 July 2024, the Bank issued ₱55.7 billion of fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.3% per annum and will mature on 24 January 2026.

Other Recent Developments

On 28 January 2020, the Bank announced that it had entered into an agreement to sell a controlling stake in its publicly listed subsidiary, BDO Leasing and Finance, Inc. (**BDOLF**), with the completion of the transaction subject to closing conditions. On 21 October 2020, BDOLF reported that it transferred 27.02% of its assets to BDO

Finance Corporation (**BDOFC**). The transfer of assets is part of the restructuring of the Bank's leasing business in order to optimize the financial needs of clients in light of new accounting regulations covering lease transactions. IFRS 16, which took effect on January 2019, requires leases to be recognized on-balance sheet, similar to a loan facility, which makes lease transactions a less attractive option to corporate borrowers compared to the previous arrangement. Under the restructuring, the Bank incorporated a new, privately held company BDOFC to provide customers continuing access to lease products and services. However, on 24 January 2021, the Bank's agreement for the sale of controlling stake in BDOLF lapsed due to the non-completion of certain closing conditions that were a pre-requisite to the sale transaction. The parties thereafter agreed to terminate the agreement. BDOLF (renamed Dominion Holdings, Inc.) remains a listed holding company of the Bank. On 7 March 2022, the Bank further disclosed that it is now contemplating keeping BDOLF, repurposed as a holding company, for its own investment purpose or, depending on the terms of outstanding offers, pursue the sale of its shares with other prospective buyers.

On 26 November 2020, the Bank announced the completion of the buyout of Nomura's ownership in BDO Nomura following an announcement last 23 June 2020 terminating their joint venture arrangement. BDO Capital acquired Nomura's 49% stake in BDO Nomura. BDO Nomura was merged with BDO Securities Corporation (**BDO Securities**) with the latter as the surviving entity. BDO Securities was reorganized into a full-service brokerage firm with an expanded product offering to include non-equity securities.

On 11 December 2021, there were reports of unauthorized transactions in certain BDO accounts. The Bank immediately responded to the fraud incident by implementing additional security controls to block further attempts from fraudsters and protect clients' bank credentials. At the same time, the Bank began processing the reimbursement of affected clients. On 20 May 2022, the Bank disclosed that the related examination by the BSP has been completed and that there are no monetary sanctions imposed by the BSP on this matter.

On 26 March 2022 and 24 September 2022, the Bank's Board of Directors approved the additional equity investment in BDO Network via the subscription of common shares of up to ₱1.7 billion and ₱4.25 billion, respectively, with the latter to be infused in tranches depending on the business need of BDO Network. The subscriptions amounting to ₱1.7 billion, ₱2.55 billion and ₱1.49 billion were paid in August 2022, October 2022, and June 2024, respectively. The capital infusion was made to support BDO Network's business expansion.

On 25 March 2023, the Bank's Board approved the purchase of the entire equity interest of the Keppel Group in The Podium Complex, Inc (**TPCI**, formerly SM Keppel Land. Inc). In view of the Keppel Group's decision to divest its investment in TPCI, the Bank, as Keppel Group's joint venture partner agreed to buy out Keppel Group's 50% direct equity ownership in TPCI. On 27 December 2023, the Bank completed the buy-out of the Keppel Group in TPCI. In the fourth quarter of 2024, the Philippine SEC and the BSP approved the merger between the Bank and TPCI with the Bank as the surviving entity. The merger became effective on 1 December 2024.

INVESTMENT CONSIDERATIONS

Before making an investment decision, investors should carefully consider the risks associated with the Bank, including:

- Considerations relating to the Philippines
- Considerations relating to the Philippine Banking Industry
- Considerations relating to the Bank and its Business
- Considerations relating to the Bonds
- Considerations relating to the Bonds issued as Sustainability Bonds

Please refer to the section entitled *"Investment Considerations"*, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Bonds

BANK INFORMATION

The registered office of the Bank is BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City. The Bank's telephone number is +(632) 8840 7000 and its corporate website is *www.bdo.com.ph.* The information on the Bank's website is not incorporated by reference into, and does not constitute part of, this Offering Circular.

SELECTED FINANCIAL INFORMATION

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

*The following tables present selected consolidated financial information of the Bank and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Offering Circular and the section entitled "Description of the Bank" in this Offering Circular. The selected financial information presented below as at and for the years ended 31 December 2022, 2023 and 2024 were derived from the consolidated financial statements prepared in accordance with financial reporting standards in the Philippines for banks and which include PFRS, and audited by Punongbayan & Araullo (**P&A**) in accordance with Philippine Standards on Auditing. The selected financial information set out below does not purport to project the consolidated results of operations or financial position of the Bank for any future period or date.*

CONSOLIDATED STATEMENTS OF INCOME

	For the year ended 31 December		
	2022 (as restated)	2023 (as restated)	2024
	(audited)		
	(in ₱ millions)		
Interest income on			
Loans and other receivables	135,796	190,067	222,735
Trading and investment securities	22,582	33,809	42,919
Due from BSP and other banks	3,366	7,739	6,238
Others	76	89	147
	161,820	231,704	272,039
Interest expense on			
Deposit liabilities	14,977	50,916	72,012
Bills payable and other borrowings	6,958	7,462	12,395
Finance lease payment payable	926	939	1,036
	22,861	59,317	85,443
Net interest income	138,959	172,387	186,596
Impairment losses - net	16,340	16,381	14,030
Net interest income after impairment losses	122,619	156,006	172,566
Other operating income			
Trading gain (losses) — net	(322)	1,455	(127)
Service charges and fees	38,545	43,201	50,803
Miscellaneous	14,001	20,659	20,217
Income Attributable to Insurance Operations	4,976	6,372	6,845
	57,200	71,687	77,738
Other operating expenses			
Employee compensation and benefits	43,060	46,687	53,090
Fees and commissions	17,834	25,547	30,625
Taxes and licenses	9,746	13,179	15,968
Occupancy	10,350	11,908	12,298
Other operating expenses	25,636	33,191	34,632
	106,626	130,512	146,613
Profit before tax	73,193	97,181	103,691
Tax expense	15,959	23,621	21,471
Net profit	57,234	73,560	82,220

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 1 January	As at 31 December	
	2023	2023	2024
		(audited)	
		(in ₱ millions)	
Cash and other cash items	82,944	94,278	109,744
Due from the Bangko Sentral ng Pilipinas	385,779	335,076	249,593
Due from other banks	60,455	85,974	90,448
Trading and investment securities	641,734	824,807	876,108
Loans and other receivables — net	2,692,523	2,881,945	3,272,518
Premises, furniture, fixtures and equipment - net	46,471	48,085	54,204
Investment properties	17,183	42,429	33,825
Equity investments	5,501	3,879	4,711
Investment securities and other assets for life insurance contracts — net	89,493	115,601	121,911
Other resources — net	52,625	45,587	62,988
Total resources	4,074,708	4,477,661	4,876,050
Deposit liabilities			
Demand	459,511	504,763	567,904
Savings	2,077,360	2,050,709	2,143,915
Time	684,012	1,012,078	1,082,208
Total deposit liabilities	3,220,883	3,567,550	3,794,027
Bills payable	198,891	189,582	261,470
Insurance contract and other liabilities for life insurance contracts	69,385	82,521	91,471
Other liabilities	124,092	119,454	151,687
Total liabilities	3,613,251	3,959,107	4,298,655
Equity	461,457	518,554	577,395
Total liabilities and equity	4,074,708	4,477,661	4,876,050

SELECTED FINANCIAL RATIOS

	For the year ended 31 December		
Selected financial ratios	**2022**	**2023**	**2024**
	(in percentages except Earnings per Share)		
Return on assets[(1)]	1.5	1.7	1.8
Return on shareholders' equity[(2)]	12.9	15.0	15.0
Return on average common equity[(3)]	13.0	15.2	15.1
Net interest margin[(4)]	3.9	4.4	4.4
Cost-income ratio[(5)]	54.4	53.5	55.5
Loans to deposits[(6)]	81.1	79.9	85.0
Common equity tier 1 capital adequacy ratio[(7)]	13.4	13.8	14.1
Tier 1 capital adequacy ratio[(8)]	13.6	14.0	14.3
Total capital adequacy ratio[(9)]	14.5	14.9	15.2
Total non-performing loans to total loans — excluding interbank loans[(10)]	2.05	1.89	1.87
Total non-performing loans to total loans — including interbank loans[(11)]	1.94	1.85	1.83
Allowances for probable loan losses to total non-performing loans[(12)]	137.4	145.0	152.2
Earnings per share (₱)[(13)]	10.77	13.86	15.48

Notes:

(1) Net income divided by average total resources for the period indicated.
(2) Net income divided by average total capital funds for the period indicated.
(3) Net income attributable to shareholders of the Bank divided by average common equity for the period indicated.

(4) Net interest income divided by average interest-earning assets.
(5) Total operating expenses divided by the sum of net interest income and other income.
(6) Net receivables from customers divided by total deposits.
(7) Common equity tier 1 capital divided by total risk-weighted assets.
(8) Tier 1 capital divided by total risk-weighted assets.
(9) Total capital divided by total risk-weighted assets.
(10) Total non-performing loans divided by total loans excluding interbank loans.
(11) Total non-performing loans divided by total loans including interbank loans.
(12) Total allowance for probable loan losses divided by total non-performing loans.
(13) Net income divided by total number of outstanding shares.

CAPITALIZATION AND INDEBTEDNESS

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

	As at 31 December 2024 (in ₱ millions)
Short-term liabilities	
Deposit liabilities	3,743,846
Bills payable and subordinated notes payable	141,793
Insurance contract liabilities	8,801
Other liabilities	131,884
Total short-term liabilities	**4,026,324**
Long-term liabilities net of current portion	
Deposit liabilities	50,181
Bills payable	119,677
Insurance contract liabilities	82,670
Other long-term liabilities	19,803
Total long-term liabilities net of current portion	**272,331**
Capital funds	
Issued share capital	
Preferred stock	6,180
Common stock	53,265
Capital paid in excess of par value	237,468
Treasury shares at cost	-7,077
Surplus reserves	28,956
Other reserves	3
Surplus free	291,654
Net unrealized fair value loss on financial assets at Fair Value through Other Comprehensive Income (FVOCI)	(12,980)
Accumulated actuarial gains (losses)	(26,571)
Remeasurement on life insurance reserves	2,766
Revaluation Increment	1,010
Accumulated translation adjustment	8
Accumulated share in Other Comprehensive Income (Loss) of Associates	(11)
Non-controlling interest	2,724
Total capital funds	**577,395**
Total capitalisation and indebtedness[(1)(2)(3)(4)]	**4,876,050**

Notes:

(1) Total capitalization is the sum of long-term debt net of current portion and stockholders' equity.

(2) As at 31 December 2024, the Bank had no contingent liabilities save for those set out in Note 35 to the audited condensed financial statements of the Bank as at 31 December 2024, included elsewhere in this Offering Circular.

(3) On 22 February 2025, the Bank announced the declaration of regular cash dividends of ₱1.00 per share on the common shares of the Bank, payable on 31 March 2025 to all stockholders of record as at 11 March 2025. The Bank also announced the allocation of up to 111 million common primary shares, which is approximately 2% of the total outstanding shares of the Bank, for future employee stock option awards.

(4) In April and December 2024, the Bank approved the declaration of the Treasury Shares arising from the merger of TPCI and the Bank as property dividends. On 5 May 2025, the Philippine SEC approved the property dividend declaration to all eligible stockholders on record date. The payment date is set for 30 May 2025.

FORM OF PRICING SUPPLEMENT

PRICING SUPPLEMENT DATED [●]

OFFER OF SERIES [•] TRANCHE [•] BONDS
BY BDO UNIBANK, INC.
OF UP TO ₱[•]

Under its ₱500 Billion Updated Bond Programme

This document constitutes the Pricing Supplement relating to Series [●] Tranche [●] Bonds being offered and described herein (the Offer). Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the Terms and Conditions) set forth in the Trust Agreement and the Offering Circular dated [●] (the Offering Circular). This Pricing Supplement contains the final terms of this Offer and the Series [●] Tranche [●] Bonds and must be read in conjunction with the Offering Circular. Full information on the Bank and the Offer is contained in the Offering Circular and in this Pricing Supplement. All information contained in the Offering Circular are deemed incorporated by reference in this Pricing Supplement.

Issuer	BDO Unibank, Inc. (the Bank)
Issue	Bonds constituting the direct, unconditional, unsecured and unsubordinated obligations of the Bank
Specified Currency or Currencies	Philippine Peso
The Offer Size	[₱●]
Issue Price	At par (or 100% of face value) / [●]% of the face value
Form and Denomination of the Bonds	The Series [●] Tranche [●] Bonds shall be issued in scripless form in minimum denominations of [₱●] each, and in multiples of [₱●] thereafter, and traded in denominations of [₱●] in the secondary market.
Manner of Offering	[●]
Use of Proceeds	[●]
Offer Period	The offer of the Bonds shall commence at 10:00 am on [●] and end at 5:00 pm on [●]
Issue Date	[●]

Interest:	
(a) For Fixed Rate:	
Interest Commencement Date	[●]
Interest Payment Date (s)	[●],[●],[●] and [●] of each year
Interest Rate	[●]% per annum
Day Count Fraction	30/360 day count basis
(b) For Floating Rate:	
Specified Period(s) / Interest Payment Dates	[●]
Manner in which the Interest Rate and Interest Amount is to be determined	[●]
Party Responsible for calculating the Interest Rate and Interest Amount	[●]
Reference Rate	[●]
Margin	[●]
Interest Determination Date	[●]
(c) For Zero-Coupon	
Actual Yield	[●]
Reference Price	[●]
Any other formula/basis for determining amount payable	[●]
Maturity Date	[●] years from Issue Date or [●]
Rating	Unrated
Payment Account Name	[●]
Listing	The Series [●] Tranche [●] Bonds are intended to be listed at the Philippine Dealing & Exchange Corp.

Governing Law	Philippine Law
PROVISIONS RELATING TO REDEMPTION	
Issuer Redemption Option	[●]
Final Redemption Amount	[●]
Early Redemption Date	[●]
Early Redemption Amount	[●]
PARTIES	
Trustee	Development Bank of the Philippines – Trust Banking Group
Registrar & Paying Agent	Philippine Depository & Trust Corp.
Arranger	[●]
Selling Agents	BDO Unibank, Inc. and [●]

ADDITIONAL INFORMATION
Amendment or Supplement to the Offering Circular
[Changes or updates to the Offering Circular]

THE BANK CONFIRMS THE INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT AND ACCEPTS RESPONSIBILITY THEREFOR.

BDO UNIBANK, INC
Issuer and Selling Agent
By:

_____
Name:
Position:

INVESTMENT CONSIDERATIONS

An investment in the Bonds involves a number of investment considerations. You should carefully consider all the information contained in this Offering Circular including the investment considerations described below, before any decision is made to invest in the Bonds. The Bank's business, financial condition and results of operations could materially and adversely be affected by any of these investment considerations. The market price of the Bonds could decline due to any one of these risks, and all or part of an investment in the Bonds could be lost. The following discussion is not intended to be a comprehensive description of the risks and other factors and is not in any way meant to be exhaustive. Prospective Bondholders are encouraged to make their own independent legal, financial, and business examination of the Bank and the market. Neither the Bank nor the Sole Arranger makes any warranty or representation on the marketability or price on any investment in the Bonds.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

CONSIDERATIONS RELATING TO THE PHILIPPINES

Volatility in the value of the Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect the Bank's businesses.

The Philippine economy has experienced volatility in the value of the Peso and also limitations to the availability of foreign exchange. In July 1997, the BSP announced that the Peso can be traded and valued freely on the market. As a result, the value of the Peso underwent significant fluctuations between July 1997 and December 2004 and the Peso has declined from approximately ₱29.00 to U.S.$1.00 in July 1997 to ₱56.18 to one U.S.$1.00 by December 2004.

While the value of the Peso has generally recovered since 2010, its valuation may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from perceived riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Peso against the U.S. Dollar and other currencies. For example, as at 27 December 2024, as per the BSP Rate, the Peso had depreciated to ₱58.014 per U.S.$1.00 from ₱52.650 per U.S.$1 at the end of 2018. As at 26 May 2025, the Peso was at ₱55.493 against the U.S. Dollar.

Substantially all of the Bank's operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect the Bank's business, financial position and results of operations.

Substantially all of the Bank's business activities and assets are based in the Philippines, which exposes the Bank to risks associated with the country, including the performance of the Philippine economy. Historically, the Bank has derived substantially all of its revenues and operating profits from the Philippines and, as such, its businesses are highly dependent on the state of the Philippine economy. Demand for banking services, residential real estate, automotives, electricity and insurance are all directly related to the strength of the Philippine economy (including its overall growth and income levels), the overall levels of business activity in the Philippines as well as the amount of remittances received from OFWs and overseas Filipinos. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations and foreign exchange controls;
- rising inflation or increases in interest rates;
- levels of employment, consumer confidence and income;

- changes in the Government's fiscal and regulatory policies, including tax laws and regulations that impact or may impact inflation and consumer demand;
- Government budget deficits;
- re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), H1N1, outbreak of COVID-19 or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally; and
- other social, political or economic developments in or affecting the Philippines.

There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Changes in the conditions of the Philippine economy could materially and adversely affect the Bank's business, financial condition and results of operations.

Political instability may have a negative effect on the Philippine economic condition which could have a material impact on the Bank's businesses.

The Philippines has, from time to time, experienced political and military instability, including acts of political violence. In the last decade, there has been political instability in the Philippines, including extra-judicial killings, alleged electoral fraud, impeachment proceedings against two former presidents, two chief justices of the Supreme Court of the Philippines, and public and military protests arising from alleged misconduct by previous administrations. In addition, a number of officials of the Philippine government are currently under investigation or have been indicted on corruption charges stemming from allegations of misuse of public funds, extortion, bribery, or usurpation of authority. There can be no assurance that acts of political violence will not occur in the future and any such events could negatively impact the Philippine economy.

An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the business, operations, and financial condition of the Bank.

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

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

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

No assurance can be given that the future political or social environment in the Philippines will be stable or that current and future governments will adopt economic policies conducive for sustaining economic growth. Political or social instability in the Philippines could negatively affect the general economic conditions and business environment in the Philippines, which could have a material adverse effect on the business, operations, and financial position of the Bank.

Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on the Bank's business and financial condition.

The Philippines has also been subject to a number of terrorist attacks and the Armed Forces of the Philippines has been in conflict with groups which have been identified as being responsible for kidnapping and terrorist activities in the Philippines. In addition, bombings have taken place in the Philippines, mainly in cities in the southern part of the country. For example, in May 2017, the city of Marawi in Lanao del Sur, Mindanao, was assaulted by the Maute Group, terrorists which were inspired by pledged allegiance to the Islamic State of Iraq and Syria (**ISIS**). Due to the clash between the Government forces and the terrorists and the risk of the armed conflict spilling over to other parts of Mindanao, martial law was declared in the entire island of Mindanao, Philippines. In October 2017, the city was declared liberated from the terrorists. Despite this, the Philippine Congress extended the imposition of martial law in Mindanao until the end of 2019, citing persistent threats of terrorism and rebellion and to ensure the total eradication of ISIS-inspired terrorists in the country. Martial law in Mindanao was lifted on 1 January 2020, however certain areas in Mindanao remain under a state of emergency and law enforcement groups are in heightened security as a measure against potential terror threats.

On 3 July 2020, Republic Act No. 11479, otherwise known as the Ant-Terrorism Act of 2020, was signed into law to replace Republic Act No. 9372, otherwise known as the Human Security Act of 2007. The constitutionality of the law was challenged in the Supreme Court by multiple groups. On 9 December 2021, the Supreme Court upheld the validity of the law except for the following provisions: (a) the qualifier portion of Section 4 which states "which are not intended to cause death or serious physical harm to a person, to endanger a person's life, or to create a serious risk to public safety" and (b) a portion of paragraph 2 of Section 25 which allows "request for designations by other jurisdictions or supranational jurisdictions may be adopted by the ATC after determination that the proposed designee meets the criteria for designation of UNSCR No. 1373."

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

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

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

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

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

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

profitability. In addition, the measures implemented by the Philippine government to mitigate the negative impact of COVID-19 in the Philippine economy have caused disruption to businesses and economic activities. The Bank's business has been adversely affected by the COVID-19 pandemic and consequential economic downturn.

The Philippines has also experienced other public health epidemics or outbreaks of diseases, such as avian influenza or bird flu, African Swine Fever, Ebola virus, MERS-CoV, Zika virus, dengue and polio, among others, which have adversely affected the local economy. For example, in 2019, the Department of Health declared a national dengue outbreak with 437,089 cases recorded for the year with 2,620 deaths. Furthermore, in September 2019, the Department of Health declared a polio epidemic after a case of the disease was recorded in Lanao del Sur after 19 years recording no cases in the country.

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

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

International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are resident in the Philippines, such as the Bank. Historically, the Philippines' sovereign debt has been rated non-investment grade by international credit rating agencies. In 2019, the Philippines' long-term foreign currency-denominated debt was upgraded by S&P Global (**S&P**), to BBB+ with stable outlook, while Fitch Ratings (**Fitch**), and Moody's Investors Service (**Moody's**), affirmed the Philippines' long-term foreign currency-denominated debt to the investment-grade rating of BBB and Baa2, respectively, with a stable outlook. Moody's reaffirmed their rating in August 2024. Fitch affirmed its rating in June 2024 with a stable outlook. S&P also reaffirmed in November 2024. All ratings are above investment grade and the highest that the Philippines has received so far from any credit ratings agency.

However, no assurance can be given that Fitch, Moody's, S&P or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies, including the Bank. Any such downgrade could have a material adverse effect on liquidity in the Philippine financial markets and the ability of the Philippine government and Philippine companies, including the Bank, to raise additional financing, and will increase borrowing and other costs.

Natural or other catastrophes, including severe weather conditions, may adversely affect the Bank's business materially disrupt the Bank's operations and result in losses not covered by its insurance as customers intentionally default on their loans secured by the vehicles damaged by the calamity.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, floods, droughts, volcanic eruptions and earthquakes. For example, in January 2020, Taal Volcano, which is located approximately 50 kilometres south of Manila, erupted in mid-January 2020, spewing ashes across several towns and cities in Cavite, Laguna, Batangas, Rizal and Quezon, Metro Manila and even some parts of Central Luzon. The phreatic eruption caused the evacuation of nearby areas, and interrupted business operations as well as electricity and internet connectivity. In October 2022, Typhoon Nalgae, locally known as Typhoon Paeng, led to severe flooding and storm damage and displaced thousands in the areas affected. Natural catastrophes will continue to affect the Philippines. In November 2024, Typhoon Pepito/Man-yi caused widespread destruction, severe flooding and landslides and displaced thousands of people, prompting several provinces in Luzon to declare a state of calamity.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Bank's operations. These factors, which are not within the Bank's control, could potentially have significant effects on the Bank's branches and operations. While the Bank carries insurance for certain catastrophic events, of types, in amounts and with deductibles that the Bank believes are in line with general industry practices in the Philippines, there are losses for which the Bank cannot obtain insurance at a reasonable cost or at all. The Bank

also does not carry any business interruption insurance. Should an uninsured loss or a loss in excess of insured limits occur, the Bank could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Bank's business, financial condition and results of operations.

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

Although a principal objective of Philippine securities laws and the PSE listing rules is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies, such as the Bank, than is regularly made available by public companies in the U.S. and other countries. As a result, Noteholders may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although the Bank complies with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions.

For example, the Philippine SEC recommends publicly listed companies, such as the Bank, to have at least three independent directors or such number of independent directors as to constitute at least one-third of the members of the Board of Directors, whichever is higher. As at 31 December 2024, the Bank currently has seven independent directors. Many other jurisdictions may require more independent directors.

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

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

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts. China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea (**UNCLOS**). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the nine-dash line" claim of China is invalid. The Philippine government, under the Duterte administration, has taken action to de-escalate tensions concerning the territorial dispute with China.

Recent years have seen increased frequency of incidents as well as heighted intensity of confrontations between Chinese Coast Guard and Philippine personnel in the West Philippine Sea. These have resulted in public accusations and diplomatic protests from both countries. In early August 2023, a Chinese Coast Guard ship used a water cannon against Philippine supply boats to prevent them from approaching the contested Second Thomas Shoal (Ayungin Shoal to the Philippines and Ren' ai Reef to China) in the Spratly Islands, where Filipino military personnel are stationed. The move, which was caught on video, outraged President Marcos, Jr. and prompted the Department of Foreign Affairs in Manila to summon the Chinese ambassador to convey a strongly worded protest. In September 2023, the Philippine Coast Guard removed a floating barrier that was deployed by China at a disputed reef that was deployed by China to block Filipinos from the traditional fishing ground within the exclusive economic zone of the Philippines. In November 2023, a Chinese ship fired water cannons at M/L Kalayaan while the latter was on a resupply mission to troops stationed at BRP Sierra Madre in the Second Thomas Shoal, a former US Navy ship that has been grounded in the Second Thomas Shoal since 1999. The Philippines also claimed that ships belonging to a Chinese maritime militia were involved in the harassment and that inflatable boats belonging to the Chinese Coast Guard were similarly involved. The Philippine Embassy in

Beijing has protested the latest incidents to the Chinese Foreign Ministry. In several instances, Chinese Coast Guard ships used water cannons against Philippine-registered vessels, including a smaller military-contracted vessel during a resupply mission to the Ayungin Shoal, and Philippine-government vessels distributing fuel and food to the fisherfolk in the Scarborough Shoal. Subsequently, the Chinese coast guard boarded a Philippine vessel. The Philippine government lodged another diplomatic protest against China and is engaging in discussions with the US regarding escalating tensions in the West Philippine Sea. The Philippines has filed a total of 199 diplomatic protests against China during President Marcos, Jr.s' tenure.

In July 2024, the Philippines and China held their first formal dialogue since the incident, convening the 9th Meeting of their Bilateral Consultation Mechanism on the South China Sea in Manila. Discussions focused on their respective positions on Ayungin Shoal and affirmed their commitment to de-escalating tensions. While the Philippines was able to complete a resupply mission to its troops without incident under a new provisional agreement with China aimed at mitigating tensions, another incident occurred in August 2024 whereby the Philippine military reported that the Chinese Air Force executed "dangerous and provocative actions" over the South China Sea. Two People's Liberation Army aircraft dropped flares and performed hazardous maneuvers while a Philippine Air Force patrol was over Scarborough Shoal. No Philippine crew was harmed. Tensions further escalated when the Philippines and China accused each other of ramming vessels and performing dangerous maneuvers in the West Philippine Sea shortly after the incident in August 2024.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Philippine peso or increase in interest rate, may adversely affect consumer sentiment and lead to a reduction in consumer spending generally. This, in turn, could materially and adversely affect the Bank's financial condition and results of operations, and its ability to implement its business strategy and expansion plans.

CONSIDERATIONS RELATING TO PHILIPPINE BANKING INDUSTRY

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

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

The recent mergers and consolidations in the banking industry, as well as the liberalisation of foreign ownership regulations in banks, have allowed the emergence of foreign and bigger local banks in the market. For example, there has been increased foreign bank participation in the Philippines following the Monetary Board's lifting of the ban on granting of new licenses, as well as the amendment of banking laws with respect to the limit on the number of foreign banks. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Bank, United Overseas Bank, First Commercial Bank of Taiwan, Hua Nan Commercial Bank, Ltd. and Chang Hwa Commercial Bank being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. In addition, the establishment of the ASEAN Economic Community in 2015 may enhance cross-border flows of financial services (in addition to goods, capital, and manpower) among member nations. This is expected to increase the level of competition both from Philippine banks and branches of international banks. This may impact the Philippine banks' operating margins, but this would also enhance the industry's overall efficiency, business opportunities and service delivery. As at 31 December 2024 according to data from the BSP, there were a total of 44 domestic and foreign universal and commercial banks operating in the Philippines including the three government banks.

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

- other large Philippine banks and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- full entry of foreign banks in the country through any of the following modes allowed under Republic Act No. 10641 (approved on 15 July 2014): (a) the acquisition, purchase or ownership of up to 100% of the voting stock of an existing bank; (b) investment of up to 100% of the voting stock in a new banking subsidiary incorporated under Philippine law; or (c) establishment of branches with full banking authority;
- domestic banks entering into strategic alliances with foreign banks with significant financial and management resources, and in some cases resulting in excess capital that can be leveraged for asset growth and market share gains;
- continued consolidation and increased mergers and acquisitions in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions;
- the emergence of financial technology, or new technology that seeks to improve and automate the delivery and use of financial services (**FinTech**), including businesses such as an all-digital bank formed by CIMB and ING Direct; recently-approved digital bank licenses given to UNObank, Overseas Filipino Bank (**OFBank**), Tonik Digital Bank, Union Digital Bank, GOTyme, and Maya Bank; mobile payment tools or e-wallet applications such as GCash and PayMaya and the growing popularity of peer-to-peer lending through digital platforms; and
- as banks venture into micro-finance and other consumer financing products, other consumer-focused players, including informal lenders.

There can be no assurance that the Bank will be able to compete effectively in the face of such increased competition. Increased competition may make it difficult for the Bank to continue to increase the size of its loan portfolio and deposit base, as well as cause increased pricing competition, which could have a material adverse effect on its growth plans, margins, results of operations and financial condition.

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

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

For example, on 31 January 2020, the UK withdrew from the EU. On 24 December 2020, a trade agreement was concluded between the EU and the United Kingdom (EU-UK Trade and Cooperation Agreement), and it applied provisionally since the end of the transition period ending on 31 December 2020. The EU-UK Trade and Cooperation Agreement has been ratified by the UK Parliament, the European Parliament and the Council of the European Union and entered into force on 1 May 2021. If certain other states within the Eurozone were to exit the European Union, or following the occurrence of such other reform as contemplated herein, such countries may not be able to meet their existing debt obligations or may default on these obligations, which could have a ripple effect across sovereign states and the private sector in Europe and the rest of the world and possibly lead to a global economic crisis. Any changes to the euro currency could also cause substantial currency readjustments across Europe and other parts of the world, further exacerbating the credit crisis. These events and uncertainties could adversely impact the Bank's business, financial condition and results of operations.

In addition, volatile conditions across major economies and the policy environment persist, including inflationary pressures in certain major economies, with the US increasing and maintaining interest rates to reduce inflation, the imposition of tariffs by the US and retaliatory tariffs by other nations, the "trade war" between the US and China, protracted economic slowdown in China, the Russo-Ukrainian War, and the conflict between Israel and Palestine in Gaza.

In particular, in March and April 2025, the US imposed "retaliatory tariffs" on exports from nearly every other nation and jurisdiction in the world, which has prompted other jurisdictions and major economies such as the European Union, Canada, and China to retaliate with tariffs on US exports. The imposition of tariffs and escalating trade war has severely shocked equity and commodity markets and increased volatility to levels not seen since the global financial crisis in 2008 or the beginning of the COVID-19 pandemic in 2020. As a result of the imposition

of tariffs, based on news reports, certain economists and banks have predicted a major slowdown in US and global growth and an increased probability of a recession in the near term. As of 10 April 2025, the US had imposed tariffs of over 100% on China, and China has imposed tariffs of over 80% on certain US exports.

Further, the implementation of US tariffs has been unpredictable at times, with US President Donald Trump's administration threatening to impose additional tariffs on certain sectors such as pharmaceutical products and semiconductors, or pausing or deferring the effective date of tariffs, or announcing different goals to be achieved by the tariffs (e.g., eliminating trade deficit or brining back manufacturing or creating jobs, etc.) The uncertainty in the US tariff policy and implementation has jolted and severely increased volatility and uncertainty in the equity and debt markets.

The Philippines is one of the jurisdictions subject to US tariffs. Although the tariff of 17% imposed by the US on exports from the Philippines is lower than other Southeast Asian nations (other than Singapore) and the Philippine government has announced that it is willing to negotiate tariffs with the US and/or open to cut tariffs on imports from the US, there is no assurance that such actions will be able to abet or mitigate any negative or long-term effects of the raised tariffs on the Philippine economy or the potential reduction in US consumption or demand for Philippine exports.

There can be no assurance that the uncertainties affecting global markets, including the US tariff policy or escalating trade war between the US and other countries, will not add to further negative impact on credit markets in Asia, including in the Philippines. The success of the Bank's banking business is highly dependent upon its ability to maintain certain minimum liquidity levels, and any rise in market interest rates could materially and adversely affect the Bank's liquidity levels and force it to reduce or cease its offering of certain banking and other financial services. These developments may adversely affect trade volumes with potentially negative effects on the Philippines.

Interest rate volatility could significantly affect the Bank's financial condition and results of operations.

A significant portion of the Bank's assets consists of, and a significant portion of its revenue is derived from, A significant portion of the Bank's assets consists of, and a significant portion of its revenue is derived from, assets that are monetary in nature. Although the Bank engages only in limited trading activities through positions in fixed income instruments and, to some extent, in financial derivative instruments, which are mostly to facilitate other banking services to its customers, these assets are subject to the normal risks associated with investing activities, including the risk that a change in market prices, rates, indices, volatility, correlations, liquidity or other factors may result in losses for a specific position or portfolio. There is no assurance that interest rates in the Philippines will not increase in the future, including in response to inflationary pressures resulting from strong economic growth, tax reforms, geopolitical conflict, and global developments. Any new shocks to prices of some key commodities may shift BSP's policy decision and may cause the Monetary Board to increase policy rates to ensure price stability.

The Bank realises income from the margin between income earned on its interest-earning assets and interest paid on its interest-bearing liabilities. As some of its assets and liabilities are re-priced at different times, the Bank is vulnerable to fluctuations in market interest rates and any changes in the liquidity position of the Philippine market. As a result, volatility in interest rates could have a material adverse effect on the Bank's financial position, liquidity and results of operations.

An increase in interest rates could lead to a decline in the value of securities in the Bank's portfolio and the Bank's ability to earn excess trading gains as revenue. A sustained increase in interest rates will also raise the Bank's funding costs without a proportionate increase in loan demand (if at all). Rising interest rates will therefore require the Bank to re-balance its assets and liabilities in order to minimise the risk of potential mismatches and maintain its profitability. In addition, rising interest rate levels may adversely affect the economy in the Philippines and the financial position and repayment ability of its corporate and retail borrowers, including holders of credit cards, which in turn may lead to a deterioration of the Bank's credit portfolio in addition to lower levels of liquidity in the system which may lead to an increase in the cost of funding. Lower levels of liquidity in the system may likewise lead to an increase in the cost of funding as banks actively compete for funds by raising the interest rates they charge on deposits.

Philippine banks are generally exposed to higher credit risks and greater market volatility than banks in more developed countries.

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

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

Higher credit risk has a material adverse effect on the quality of loan portfolios and exposes Philippine banks, including the Bank, to more potential losses and higher risks than banks in more developed countries. In addition, higher credit risk generally increases the cost of capital for Philippine banks compared to their international counterparts. Such losses and higher capital costs arising from this higher credit risk may have a material adverse effect on the Bank's financial condition, liquidity and results of operations. According to data from the BSP, the average non-performing loan (**NPL**) ratios exclusive of interbank loans in the Philippine banking system were 3.3%, 3.3%, and 3.27% as at the years ended 31 December 2022, 2023 and 2024, respectively.

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

Although the Philippine banking sector has generally recovered from past regional and global economic crises, the Philippine banking industry may face significant financial and operating challenges. These challenges may include, among other things, a sharp increase in the level of NPLs, variations of asset and credit quality, significant compression in bank net interest margins, low loan growth and potential or actual under-capitalization of the banking system. Fresh disruptions in the Philippine financial sector, or general economic conditions in the Philippines, in Asia or globally, may cause the Philippine banking sector in general, and the Bank in particular, to experience similar problems to those faced in the past, including substantial increases in NPLs, problems meeting capital adequacy requirements, liquidity problems and other challenges.

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

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

Philippine banks face regulatory pressure to comply with new and stricter capital standards, liquidity and leverage standards, as well as meet prudential limits for real estate exposures (REE).

The BSP Monetary Board approved major revisions to the country's risk-based capital adequacy framework on 1 July 2007, to align the current framework with the Basel II standards as issued by the Basel Committee on Banking Supervision (**BCBS**), which is an international committee of banking supervisory authorities. Basel II standards make regulatory capital requirements more risk sensitive and reflective of all, or at least most, of the risks financial institutions are exposed to. In terms of minimum capital requirements, Basel II standards include

the addition of specific capital requirements for credit derivatives, securitisation exposures, counterparty risk in the trading book, and operational risk.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios. The revised standards also distinguish further (i) Tier 1 capital, which is also referred to as Going-Concern Capital, and is composed of Common Equity and Additional Tier 1 capital; and (ii) Tier 2 capital, which is also referred to as Gone-Concern capital and establish new eligibility criteria for such capital instruments previously not implemented in regulatory capital instruments.

In response to Basel III, the BSP and Monetary Board imposed a number of new requirements, including a capital surcharge to banks deemed as Domestic Systemically Important Banks (**D-SIB**), with compliance to be phased in starting from January 2017, as well as increased minimum capital requirements for banks in all categories and new liquidity requirements for local banks such as the Liquidity Coverage Ratio (**LCR**) and the Net Stable Funding Ratio (NSFR). In March 2016, the Monetary Board announced that it had approved the LCR framework which requires universal and commercial banks to hold sufficient High Quality Liquid Assets (**HQLAs**) that can be easily converted into cash to service liquidity requirements over a 30-day stress period. The approval of the LCR framework by the Monetary Board provides for an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. On 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which will be increased to 100% commencing on 1 January 2019. Banks are required to publicly disclose information related to the LCR on solo and consolidated bases beginning 1 January 2019. This is required to be disclosed in single currency, to be published in the quarterly published balance sheet, as well as in the annual reports or published financial reports.

In January 2018, the Monetary Board approved the adoption of a minimum leverage ratio requirement for universal banks, commercial banks and their subsidiary banks and quasi-banks. Beginning on 1 July 2018, covered institutions must maintain a leverage ratio of no lower than 5%. The leverage ratio is a non-risk based measure, which serves as a backstop to the CAR. The BSP introduced the leverage ratio framework in June 2015, under Circular No. 881 with the implementation limited to monitoring purposes. With the Monetary Board's recent decision, the leverage ratio will form part of Basel III minimum capital requirements, along with the 6% CET1 ratio, 7.5% tier 1 (**Tier 1**) ratio and the 10% CAR.

On 6 June 2018, the BSP issued Circular No. 1007, which imposed a NSFR framework on all universal and commercial banks, including subsidiary banks and quasi-banks, on both solo and consolidated basis. The NSFR Framework seeks to limit overreliance on short-term wholesale funding and to promote enhanced assessment of funding risk across all on- and off- balance sheet accounts. Said covered entities are required to maintain an NSFR of at least 100% at all times. The BSP issued the implementing guidelines, template and details on the submission of the NSFR report, with an observation period that ran from 1 July 2018 to 31 December 2018. Actual implementation began on 1 January 2019. Covered banks are required to submit an NSFR report, monthly on a solo basis, and quarterly on a consolidated basis, accompanied by a certification on compliance with the NSFR requirement for all calendar days.

In December 2018, the Monetary Board approved the Philippine adoption of the Basel III countercyclical buffer (**CCyB**), completing the BSP's implementation of international standards for banks in terms of capital. The BSP under Circular No. 1024 initially set the CCyB at 0%, citing that the ongoing buildup of credit does not pose an imminent risk. The CCyB is subject to upward adjustment to a rate determined by the BSP when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement. Meanwhile, reductions in the buffer take effect immediately.

As a result of these directives, the Bank is exposed to the risk that the BSP may increase applicable capital requirements and other supplementary requirements from time to time. Any incremental capital requirement may adversely impact the Bank's ability to grow its business and may even require the Bank to withdraw from or curtail some of its business operations. There can also be no assurance that the Bank will be able to raise adequate additional capital in the future on terms favorable to it.

In December 2017, the BCBS came out with a document finalizing the reforms which will amend the methodology to banks' calculation of their risk weighted assets (**RWAs**), as well as sets a capital floor of 72.5% using the

standardized approach that includes credit risk, counterparty credit risk, credit valuation adjustment (**CVA**) risk, securitization, market risk and operational risk. The implementation date for the Basel IV amendments begins on 1 January 2022, except for the capital floor which shall be phased in over five years (i.e., 50% effective 1 January 2022, and gradually increased to "fully loaded" 72.5% beginning 1 January 2027). The BSP has not set any timetable for implementation for Philippine banks, thus the impact remains uncertain.

On 13 February 2020, the BSP issued Memorandum No. M-2020-003 which provided guidelines on the electronic submission of the Basel III NSFR Report and LCR Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for the live implementation of the NSFR and LCR reports commencing from the reporting period ending 31 January 2020, in line with BSP Circular Nos. 1034 and 1035, both dated 15 March 2019.

However, on 4 May 2020 the BSP issued BSP Memorandum Circular No. M-2020-039, pursuant to which universal and commercial banks, and their subsidiary banks and quasi-banks, may permit CCyB and LCR levels to fall below the minimum regulatory requirements during the COVID-19 pandemic. For further detail, including with respect to the restoration of capital and liquidity requirements related to Basel III requirements, see "Banking Supervision and Regulation".

Unless the Bank is able to access the necessary amount of additional capital, any incremental increase in the capital requirement due to the implementation of ICAAP and Basel III, may impact the Bank's ability to grow its business and may even require the Bank to withdraw from or to curtail some of its current business operations, which could materially and adversely affect the Bank's business, financial condition and results of operations. There can also be no assurance that the Bank will be able to raise adequate additional capital in the future at all or on terms favourable to it. In addition, the implementation of Basel III may require the Bank to divest itself of certain non-allied undertakings. If the Bank is forced to sell all or a portion of certain subsidiaries or associates, its business, financial condition or results of operations could be adversely affected. There can be no assurance that the Bank will be able to meet the requirements of Basel III as implemented by the BSP. In addition, the limitations or restrictions imposed by the BSP's implementation of Basel III could materially and adversely affect the Bank's business, financial condition and results of operations.

Whenever the capital accounts of a bank are deficient with respect to the prescribed risk-based CAR of 10%, the Monetary Board may impose monetary and non-monetary sanctions. The Monetary Board will also prohibit opening of new branches whenever a bank's CAR falls below 12% on a non-consolidated and consolidated basis. Likewise, it will also prohibit the distribution of dividends whenever a bank's CET1 ratio and CAR falls below 8.5% and 10% respectively.

In addition, the BSP issued BSP Circular No. 855 (Series of 2014) regarding guidelines on sound credit risk management practices, including the amendment on loan loss provisions on loans secured by real estate mortgages. Under the new regulations, loans may be considered secured by collateral to the extent the estimated value of net proceeds at disposition of such collateral can be used without legal impediment to settle the principal and accrued interest of such loan, provided that such collateral has an established market and a sound valuation methodology. Under the new rules, the maximum collateral value for real estate collateral shall be 60% of the value of such collateral, as appraised by an appraiser acceptable to the BSP. While this maintains existing regulations already applicable to universal and commercial banks, the collateral value cap will be particularly relevant in securing directors, officers, stockholders and their related interests (**DOSRI**) transactions and in potentially accelerating the setting up of allowable loan for losses in case a loan account gets distressed.

The BSP also clarified that the collateral cap on real estate mortgages is not the same as a loan-to-value (**LTV**) ratio limit. Even under the new rules, the minimum borrower equity requirement remains a bank-determined policy (which, according to the BSP, averages 20% under current industry practice). Under the enhanced guidelines of the BSP, however, the bank's internal policy as to minimum borrower equity will be subject to closer regulatory scrutiny as to whether the borrower equity requirement of a bank is prudent given the risk profile of its target market.

Stricter lending and prudential regulations may reduce the lending appetite of the Bank or cause the Bank to alter its credit risk management systems, which may adversely affect the Bank's business, financial condition and results of operations.

Although intended to strengthen banks' capital positions and thwart potential asset bubbles, the new BSP and Monetary Board regulations will add pressure to local banks to meet these additional capital adequacy requirements, which may effectively create greater competition among local banks for deposits and temper bank lending in the commercial property and home mortgage loan sectors given that banks' ability to lend to these sectors depends on their exposure to the sector and the capital levels they maintain. This may also lead banks in the Philippines to conduct capital raising exercises. Through its compliance with these regulations, the Bank's business, financial position and results of operations may be adversely affected.

Any future changes in Philippine taxation may materially and adversely affect the Bank's business, financial condition and results of operations.

The Bank is subject to the taxation laws and regulations in effect in the Philippines. In the event of any changes to existing laws, the Bank's business, financial condition, and results of operations could be materially affected. Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (**TRAIN Law**), which is the first package of the Comprehensive Tax Reform Program (**CTRP**) of the Duterte administration, brought about extensive changes to individual income taxation.

Among the amendments from the TRAIN Law included increasing the rate of documentary stamp tax (**DST**) on the original issue of shares of stock and debt instruments. The original issue of shares is now subject to DST of ₱2.00 for each ₱200.00, or a fractional part thereof, of the par value of the shares issued. Meanwhile, all such affected debt instruments are generally subject to DST at the rate of ₱1.50 on each ₱200.00, or fractional part thereof, of the issue value of such instruments.

Meanwhile, Republic Act No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises Act (**CREATE Law**), was signed into law on 26 March 2021, lowering the corporate income tax and rationalizing fiscal incentives granted to investors.

Under the CREATE Law, the corporate income tax rate for domestic corporations with total assets of ₱100 million and below (excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which tax is imposed), and with net taxable income of ₱5 million and below (MSMEs under CREATE Law), shall be taxed at 20%; the income tax rate for other domestic and resident foreign corporations was reduced to 25%; the income tax rate of nonresident foreign corporations was reduced to 25%; the minimum corporate income tax (**MCIT**) rate was reduced to 1%, instead of 2%, until 30 June 2023; and the provisions for improperly accumulated earnings tax was repealed. For incentives, the total period of incentive alignment has been increased to 17 years, while other incentives will depend on the industries defined by the National Economic and Development Authority and ability to generate jobs.

The other tax reform packages that the government hopes to implement include tax amnesty (estate, general), as well as "sin" (e.g., alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes. The fourth package under the CTRP relating to passive income and financial intermediaries proposes to impose (i) a single final withholding tax rate of 15% on interest income regardless of currency, maturity, issuer and other differentiating factors, (ii) a single rate of 15% on interest income, dividends and capital gains, (iii) a single GRT of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), regardless of the maturity of the instrument, except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) gradually reduce the stock transaction tax until it reaches zero by 2026 and removal of the transaction tax on listed and traded debt instruments by 2026, and (vi) exemption of non-monetary documents from DST.

While the tax reform program ensures fiscal sustainability, the dampening impact of higher taxes on consumer demand and affected industries (in terms of added costs), could slow down the country's growth pace and affect the Bank's business. Further, the new regulations (such as the fourth package of the CTRP) may directly affect the business and results of operations of the Bank. If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its business, financial position and results of operations.

Non-compliance with FATCA may cause material and adverse impact on the Bank's business, financial conditions and results of operations.

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

FATCA impacts a number of organisations and individuals. It first affects U.S. persons with income abroad. Secondly, foreign financial institutions (**FFIs**) that invest in U.S. markets will be impacted as well as U.S. financial institutions that do business with FFIs. Additionally, local government and taxing authorities in each country will see the effects of the act as well. It also brought forth an expansion of tax reporting for non-resident aliens. An FFI will have to set up a process to identify U.S. accounts as part of its on boarding procedures. Once that is in place, it will also have to identify any current accounts with U.S. indicia. Additionally, there is a need to set up a process to monitor account changes for indicia of U.S. status.

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

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

Specific to the Bank's compliance with FATCA, the Bank and its subsidiaries registered on 25 April 2014 as a PFFI and then amended its FATCA status on 27 March 2015 to Registered Deemed Compliant Foreign Financial Institution under a Model 1 Intergovernmental Agreement (**IGA**). The Bank's FATCA ID and Global Intermediary Identification Number is URSOGI.00000.LE.608.

Under the IGA, the local tax authority and the Philippine Bureau of Internal Revenue (**BIR**) are the competent authority to receive FATCA information for reporting to the IRS. FATCA reporting will not take place until the PH-US FATCA IGA has been concurred by the Philippine Senate and has entered into force.

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

PFRS continues to evolve as new standards and interpretations come into effect.

A discussion on the newly adopted PFRS and amendments to existing standards to be adopted or which will be effective after 2024 can be found in Note 2.1 of the Bank's audited financial statements as at 31 December 2023 and 2024 and for the three years ended 31 December 2024 included elsewhere in this Offering Circular.

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

Changes to regulations and guidelines issued by regulatory authorities in the Philippines, including the BSP, the BIR and international bodies, including the Financial Action Task Force (**the FATF**) **may have an adverse impact on the Bank.**

The Bank is regulated principally by, and has reporting obligations to, the BSP. The Bank is also subject to the banking, corporate, taxation and other laws in effect in the Philippines. The regulatory and legal framework governing the Bank differs in certain material respects from that in effect in other countries and may continue to change as the Philippine economy and commercial and financial markets evolve. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in the Philippine banking sector. These rules include new guidelines on the monitoring and reporting of suspected money laundering

activities as well as regulations governing the reserve requirements of Philippine banks and the banking industry's exposure to the real estate sector.

For example, while the Philippines enacted Republic Act No. 9160, or the Anti-Money Laundering Act of 2001 (the **Anti-Money Laundering Act** or **AMLA**) to introduce more stringent anti-money laundering regulations, these regulations did not initially comply with the standards set by the FATF. However, following pressure from the FATF, an amendment to the Anti-Money Laundering Act, Republic Act No. 9194, became effective on 23 March 2003. In January 2005, the Philippines was removed from the list of Non-Cooperative Countries and Territories (**NCCTs**), confirming that AMLA measures to remedy deficiencies that were originally identified by the FATF were in place. AML systems (including strict customer identification, suspicious transaction reporting, bank examinations, and legal capacities to investigate and prosecute money laundering) were all identified to be of a satisfactory nature. In June 2012, President Benigno S. Aquino III signed into law Republic Act No. 10167, which added two measures intended to further strengthen the country's campaign against money laundering. These measures included criminalising terrorist financing activities as well as allowing the Government, upon determination of probable cause, to examine bank accounts or investments ex parte, or without informing the account holder concerned. The enactment of these measures resulted in the Philippines being upgraded by the FATF to the anti-money laundering compliance "gray list", signifying sufficient progress in the country's campaign against money laundering and terrorist financing. There can be no assurance however, that current Philippine AML systems will continue to be effective against money laundering and similar transactions, as shown by the recent incident involving a large Philippine universal bank in an international money laundering case. Any deficiencies or lapses, whether minor or material, in such systems could result in sanctions against Philippine banks, including the Bank, and other financial institutions or persons included in the web of transfers and currency conversions, which could adversely affect its reputation, business and operations or cause it to be in breach of its contractual obligations.

On 15 February 2013, then President Aquino signed into law Republic Act No. 10365, which expanded the AMLA covered institutions and crimes. This law took effect on 7 March 2013 and required jewelry dealers to report transactions worth ₱1 million and above. The law also requires the Philippine Land Registration Authority to submit to the Anti-Money Laundering Council (**AMLC**) reports covering real estate purchases worth ₱500,000 and above. Aside from this, predicate crimes – or those criminal acts where the law may also be applied if money is involved – were also expanded to cover 20 additional offenses or crimes, including bribery, extortion, malversation of public funds, fraud and financing of terrorism

The controversy involving the U.S.$81 million theft involving the Bangladesh central bank account in 2016 prompted Philippine legislators and agencies, such as the Department of Finance and the BSP, to propose further amendments to the AMLA. On 15 March 2017, BSP issued Circular 950 Series of 2017 containing the amendments approved by the Monetary Board to the Anti-Money Laundering-Combating the Financing of Terrorism (**AML/CFT**) regulations. The changes reflected the amendments to the AMLA that took effect in January 2017 as well as the recommendations from the FATF and added the requirements for group-wide AML compliance function and monitoring systems are incorporated for a holistic management and prevention of money laundering and terrorist financing risks.

On 14 July 2017, President Rodrigo Duterte signed into law Republic Act No. 10927 which further amended the AMLA to include casinos in the coverage of the law. The amendments categorise any single casino cash transaction of more than ₱5 million, or its equivalent in other currencies, as a "covered transaction" which must be reported to the AMLC, and also grants authority to the Philippine Court of Appeals (**Court of Appeals**), upon verified petition by AMLC and after determination of existence of probable cause, to issue a 20-day freeze order against any monetary instrument or property linked to unlawful activities as those defined and enumerated under the AMLA.

On 25 June 2021, the FATF released its grey list of countries that will be subjected to increased monitoring to prove their progress as they address strategic deficiencies in their regimes against money laundering, terrorist financing, and proliferation financing. With its inclusion in the grey list, the Philippines needs to implement the eighteen (18) action items required within the prescribed timelines to ensure the country's removal from such list. Progress reports must likewise be submitted to the FATF thrice a year. The AMLC emphasized, however, that the Philippines will not yet be subjected to countermeasures. It is only when a country fails to meet the deadlines that the FATF will call on countries to impose countermeasures against it. In January 2023, the BSP communicated that the Philippines had missed the first deadline on the same month but had similarly disclosed

that the country was given another year, or until January 2024, to meet the requirements in order to facilitate its exit from the grey list. In February 2025, the Philippines was taken off the grey list of the FATF.

There can be no assurance however, that current Philippine AML systems will continue to be effective against money laundering and similar transactions, as shown by the U.S.$81 million theft involving the Bangladesh central bank account in 2016. Any deficiencies or lapses, whether minor or material, in such systems could result in sanctions against Philippine banks, including the Bank, and other financial institutions or persons included in the web of transfers and currency conversions, which could adversely affect its reputation, business and operations or cause it to be in breach of its contractual obligations.

In April 2012, the BSP implemented Circular No. 753 (**Circular 753**), which provided for the unification of the statutory/legal and liquidity reserve requirements applicable to banks, the exclusion of vault cash as eligible forms of reserve requirement compliance, and the reduction in the unified reserve requirement ratios (e.g., from 21% to 18% for universal commercial banks). Circular 753 also terminated the interest on reserve deposits placed with the BSP. In its meeting in May 2019, the Monetary Board of the BSP decided to reduce the reserve requirements by 200 basis points given the continued downtrend in inflation and to help mitigate any tightness in domestic liquidity conditions. The adjustments in the reserve requirements were implemented on a staggered basis as follows: 100 basis points on 31 May 2019; 50 basis points on 28 June 2019, and 50 basis points to 16% on 26 July 2019. The BSP has further announced rate cuts since such date, and has reduced the reserve requirement for universal and commercial banks to 5.0% as of 28 March 2025.

To better monitor the banking industry's exposure to the property sector, the BSP issued Circular no. 600 in 2008 approved the guidelines that effectively widened the scope of banks' REE to include mortgages and loans extended to the following: individuals to finance the acquisition or construction of residential real estate for own-occupancy as well as land developers and construction companies for the development of socialised and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included. In 2012, the BSP issued Memorandum No. M-2012-046, on the expanded report on REE, designed to measure and monitor the aggregate exposure of the banking system to the real estate market. Further, in 2017, the BSP issued Circular No. 976 which requires banks to report granular information on their real estate loans to mid- and high-end housing units, in addition to socialized and low-cost housing. Under the new reporting rules, covered banks are also required to report commercial real estate loans as to the underlying commercial project being financed such as residential units, office buildings, malls and factory/plant facilities. Universal and commercial banks shall also be required to submit a new Report on Project Finance Exposures which shall include information in terms of type of infrastructure project and project phase. Circular 976 also clarified the definitions of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate limits as provided under BSP Circular 600, the expanded definition of REE, and the Real Estate Stress Test limits. As these guidelines are for monitoring purposes only, banks shall continue to comply with the 20% adjusted REE limit. There is no guarantee, however, that the BSP will not enforce further tightening of REE limits in the future to head off potential asset bubbles.

In May 2013, the BSP released Circular No. 794, on new guidelines governing its Special Deposit Account (**SDA**) facility limiting SDA access by trust departments/entities to fund management activities of trust accounts effective 1 January 2014 and banning other fiduciary business including agency accounts and investment management activities access to the SDA facility. The new rules likewise required banks to wind down all SDA placements not consistent with the BSP memorandum by at least 30% by 31 July 2013, until these were eventually phased out by on 30 November 2013. In addition, the BSP intermittently reduced SDA rates by a total of 150 basis points in 2013 to 2.0%. Further, the participation of Unit Investment Trust Funds (**UITFs**) in SDA facilities was gradually wound down, i.e., 50% in December 2016, 30% in March 2017 and fully terminated in June 2017 in line with the BSP's adoption of the interest rate corridor (**IRC**).

In 5 July 2016, the BSP implemented the IRC which effectively narrowed the band among the BSP's key policy rates. The pricing benchmark, which used to be the SDA prior to the IRC, is now replaced by the overnight deposit facility (**ODF**), and forms the lower bound of the IRC. Meanwhile, the overnight lending facility (**OLF**) replaced the repurchase facility (**RP**). The BSP likewise introduced the Term Deposit Facility (**TDF**) to serve as the main tool for absorbing liquidity through weekly TDF auctions, the frequency for which may be changed depending on the BSP's liquidity forecasts. According to the BSP, the changes from IRC were purely operational in nature to allow it to conduct monetary policy effectively. The ODF and OLF currently stand at 5.25% and 6.25%.

On 23 June 2016, the BSP issued Circular No. 914, Series of 2016, amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. The circular raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the Philippine Development Plan/Public Investment Program (**PDP/PIP**) needed to support economic growth; in particular, exposures to subsidiaries and affiliates in PDP/PIP projects were increased to individual and unsecured limits of 25% (instead of 10%) and 12.5% (instead of 5%) of the net worth of the lending bank, respectively, subject to certain conditions. Furthermore, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amended the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to affiliates. The circular further excludes loans granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase.

Philippine banks also face the threat of being assessed for DST upon their issue of passbooks for higher interest rate deposits. The Philippine Supreme Court has held that special savings accounts granting a higher tax rate to depositors who are able to maintain the required minimum deposit balance for the specified holding period, and evidenced by a passbook, are certificates of deposit bearing interest and thus subject to DST.

On 23 June 2023 and 29 June 2023, the BSP issued Circular No. 1175 and Circular No. 1176, respectively, which lowered the rates of required reserves against deposit and deposit substitute liabilities in local currency of banks, with effect from reserve week of 30 June 2023 for universal and commercial banks, to 9.5% against demand deposits, negotiable order of withdrawal (**NOW**) accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable certificates of time deposits (**CTDs**), long-term non-negotiable tax-exempt CTDs, deposit substitutes, peso deposits lodged under due to foreign banks, and Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank).

If the Bank is unable to comply with existing and new rules and regulations applicable to it, it could incur penalties and its business reputation may suffer, which could have a material adverse effect on its business, financial position and results of operations

CONSIDERATIONS RELATING TO THE BANK AND ITS SUBSIDIARIES

Risks Relating to the Bank's Business

The Bank may not be able to successfully sustain its growth strategy.

Over the past three years, the Bank has experienced substantial growth, with its loan portfolio expanding by 9.9%, 7.0% and 13.6% in the years ended 31 December 2022, 2023 and 2024, respectively. The Bank's total assets reached ₱4.1 trillion as at 31 December 2022, the first local bank to exceed ₱4 trillion in terms of total resources, and as at 31 December 2024, the Bank was the largest domestic bank in the Philippines in terms of total resources, gross customer loans, total deposits, capital and total trust funds under management. Total resources of the Bank were at ₱4.1 trillion, ₱4.5 trillion and ₱4.9 trillion as at 31 December 2022, 2023 and 2024, respectively. As of 31 December 2024, the Bank is also the industry leader in terms of investment banking, private banking, rural banking, remittances, leasing and finance, insurance brokerage and credit cards. However, the Bank's strategy, which includes growing and diversifying its loan portfolio and expanding its range of products and services to better cater to the needs of its customers, is also dependent on a number of external factors.

In particular, the Bank may not be successful in relation to the introduction of new services and products. It is entering into new lines of business and expanding into new provincial areas in the Philippines in which it is likely to encounter significant competition from other banks already offering similar products and services being introduced. There can be no assurance that the Bank will be able to compete effectively against such existing banks. Furthermore, there may not be sufficient demand for such services and products, and they may not generate sufficient revenues relative to the costs associated with developing and introducing such services and products. Even if the Bank were able to introduce new products and services successfully, there can be no assurance that the Bank will be able to achieve its intended return on such investments.

The Bank also faces a number of operational risks in executing its growth strategy and in particular the Bank's potential acquisition plans. The Bank will have to train its employees (including employees absorbed from

acquired entities), to adhere to and comply with new internal controls and risk management procedures. Failure to properly train and integrate employees, including employees from other banks that are acquired or merged or who join laterally, may increase employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase the Bank´s exposure to high-risk credit, and impose significant costs on the Bank.

The Bank has some concentration of loans to certain customers and to certain sectors and if a substantial portion of these loans were to become non-performing, the quality of its loan portfolio could be adversely affected.

As at 31 December 2024, the Bank's total exposure to borrowers (or gross loans to and receivables from customers) was ₱3.2 trillion. The ten largest borrower groups in aggregate accounted for 28.2% of the Bank's total exposure and its ten largest individual borrowers in aggregate accounted for 13.0% of its total exposure.

The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group, excluding Government-related entities, of connected persons in excess of 25% of its net worth (the **single borrower limit** or **SBL**). As at 31 December 2024, the Bank's single borrower limit was ₱151 billion. In determining whether the Bank meets the single borrower limit of the BSP, the Bank includes exposures to related accounts (including accounts of subsidiaries and parent companies of the borrower). The Bank's largest borrower as at 31 December 2024 accounted for 2.7% of the Bank's total exposure and 14.9% of the Bank's total equity. The largest borrower group as at 31 December 2024 accounted for 5.7% of the Bank's total exposure and for 31.8% of the Bank's total equity. Credit losses on these large single borrower and group exposures could adversely affect the business, financial position and results of operation of the Bank. See "The Philippine Banking Industry" and "Banking Supervision and Regulation".

The Bank extends loans to various sectors in the Philippines. The table below sets out the Bank's five largest industry exposures (receivables from customers gross of allowance for expected credit loss (**ECL**)) as at 31 December 2024.

Rank	Industry (based on the Philippine Standard Industrial Classification Code)	Amount	per cent. of Total Exposure to Borrowers
		(₱ millions)	
1	Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use	567,360	17.6
2	Real estate activities	410,256	12.7
3	Electricity, gas, steam and air conditioning supply	405,938	12.6
4	Wholesale and retail trade	397,620	12.3
5	Manufacturing	306,987	9.5
	Total	**2,088,161**	**64.7**

The Bank's exposure to these five sectors, totaling ₱2.1 trillion, constituted 64.7% of the Bank's total receivables from customers gross of allowance for ECL as at 31 December 2024. Although the Bank's portfolio contains loans to a wide variety of businesses, financial difficulties in these industries could increase the level of NPLs and restructured assets, and adversely affect the Bank's business, financial position and results of operations.

The Bank may face increasing levels of NPLs and provisioning expense for impairment of assets.

The Bank's results of operations have been, and continue to be, negatively affected by the level of its NPLs. For the years ended 31 December 2022, 2023 and 2024, the Bank's provisioning expense for impairment of assets amounted to ₱14.0 billion, ₱14.9 billion, and ₱17.0 billion, respectively, which represented 9.8%, 8.7%, and 9.1%, respectively, of net interest income in those periods, and 0.5%, 0.5%, and 0.5%, respectively, of gross loans in those periods. A slowdown in global growth momentum may adversely affect the ability of the Bank's borrowers

to finance their indebtedness and, as a result, the Bank may experience an increase in NPLs and loan loss provisions.

The Bank's consolidated NPLs increased by 12.0% to ₱60.5 billion as at 31 December 2024 (representing 1.9% of the Bank's total gross customer loans net of interbank loans as at that date) from ₱54.0 billion as at 31 December 2023. As at 31 December 2022, 2023 and 2024, the Bank's NPL coverage ratio was 137.4%, 145.0% and 152.2%, respectively. The Bank has experienced significant growth in its loan portfolio in recent years and it may experience problems in non-payment arising from these new loans in the future. Any significant increase in the Bank's NPLs would have a material adverse effect on its financial condition, capital adequacy and results of operations.

Although the Bank believes that it has set aside adequate provisions and reflected current valuations as regards its investment portfolio and while financial markets have stabilised, there can be no assurance that the value of the Bank's investment portfolio will not deteriorate should renewed volatility in global financial markets occur.

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

In January 2017, the BSP amended the regulatory definitions of past due accounts, restructured loans and NPLs, and other related provisions under BSP Circular 941. The circular cites the conditions under which an account will be classified as NPL (i.e., meeting any of the following: considered impaired under existing accounting standards; classified as doubtful or loss; in litigation; full repayment of principal and interest is unlikely without foreclosure of collateral, if any; 91-days past due; and restructured). Banks were required to make the necessary revisions in their management information and reporting systems relating to past due loans and NPLs to comply with the requirements of the circular effective 1 January 2018.

Certain accounting standards have been adopted in the Philippines based on International Accounting Standards, which require the Bank's loan loss provisions to reflect the net present value of the cash flows of the loan and underlying collateral. These new accounting standards may result in the Bank recognising significantly higher provisions for loan loss in the future. The PFRS 9 ECL poses risk of variability of provisions due to the subjective nature of assumptions used and complexity of data requirements for the model forecasts as well as potentially unforeseen changes in macroeconomic and industry conditions.

While the Bank believes its current level of provisions and collateral position are more than adequate to cover its NPLs exposure, an unexpected or significant increase in NPL levels may result in the need for higher levels of loan loss provisions in the future.

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

As at 31 December 2024, the Bank's secured loans represented 17.7% of the Bank's total gross customer loans, and 74.0% of the collateral on these secured loans consisted of real estate properties. There can be no assurance that the collateral securing any particular loan will protect the Bank from suffering a partial or complete loss if the loan becomes non-performing. The recorded values of the Bank's collateral may not accurately reflect its liquidation value, which is the maximum amount the Bank is likely to recover from a sale of collateral, less expenses of such sale. There can be no assurance that the realised value of the collateral would be adequate to cover the Bank's loans. In addition, some of the valuations in respect of the Bank's collateral may also be out of date or may not accurately reflect the market value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, would mean that its loan loss provisions may be inadequate and the Bank may need to increase such provisions. Any increase in the Bank's loan loss provisions could adversely affect its business, financial position, results of operations and capital adequacy ratios.

Moreover, the Bank may not be able to recover the value of any collateral or enforce any guarantee due, in part, to the difficulties and delays involved in enforcing such obligations in the Philippine legal system. In order to foreclose on collateral or enforce a guarantee, banks in the Philippines are required to follow certain procedures specified by Philippine law. These procedures are subject to administrative and bankruptcy law requirements more burdensome than in certain other jurisdictions. The resulting delays can last several years and lead to

deterioration in the physical condition and market value of the collateral, particularly where the collateral is in the form of inventory or receivables. In addition, such collateral may not be insured. These factors have exposed, and may continue to expose, the Bank to legal liability while in possession of the collateral. These difficulties may significantly reduce the Bank's ability to realise the value of its collateral and therefore the effectiveness of taking security for the loans it makes. The Bank carries the value of the foreclosed properties at the lower of the bid price and the loan balance plus accrued interest at the time of such foreclosures. While the Bank at each reporting date marks to market its foreclosed properties in accordance with financial reporting standards in the Philippines (**FRSP**) for banks and BSP regulations, it may incur further expenses to maintain such properties. In realising cash value for such properties, the Bank may incur further expenses such as legal fees and taxes associated with such realisation.

The Bank has a high exposure to the Philippine property and real estate market through its ROPA holdings.

The Bank has significant exposure to the Philippine property and real estate market due to the level of its holdings in Real and Other Properties Acquired (**ROPA**). ROPA generally refers to real estate assets the Bank has acquired as a result of foreclosures of real estate property which stand as collateral for real estate loans. When the Bank's collection efforts on its real estate loans are unsuccessful, the Bank is constrained to institute foreclosure proceedings against the collateral property, and subsequent to foreclosure, these real properties are consolidated in the Bank's name and booked as ROPA. The Philippine property market is highly cyclical, and property prices in general have been volatile. Property prices collapsed following the Asian financial crisis but recovered until the global financial crisis in 2008 restrained demand. However, property demand and prices have since recovered on favourable macroeconomic conditions, increasing home ownership in the Philippines, and strong demand from families of overseas Filipino workers (**OFWs**) as well as workers from the Information and Communication Technology (**ICT**) and Business Process Outsourcing (**BPO**) industries. Property prices are affected by a number of factors, including the supply of and demand for comparable properties, the rate of economic growth in the Philippines and political and economic developments. Historically, the Bank has low home loan default rates compared to industry standards. As at 31 December 2024, BDO's home loan default rate was at 5.6%, compared to the average industry rate of 6.60%.

In 2024, the Bank sold ₱3.4 billion worth of acquired assets, and intends to continue with its strategy of gradually reducing ROPA levels. As a result, the Bank recorded net ROPA (which represents ROPA net of accumulated depreciation and allowance for impairment) of ₱13.1 billion as at 31 December 2024, representing 0.3% of the Bank's total resources. As at 31 December 2022 and 2023, the Bank's net ROPA amounted to ₱11.6 billion and ₱14.7 billion, respectively, representing 0.3% and 0.3% of the Bank's total resources as at such dates.

To the extent that property values decline in the future, there can be no assurance that the Bank will be able to sell off and recover the full estimated value of its ROPA. Furthermore, in an extended downturn in the property market, given the Bank's significant amount of ROPA it may take a number of years before the Bank is able to realise a significant part of the value of its ROPA. Accordingly, an extended downturn in the Philippine property sector could increase the level of the Bank's provisions set against its ROPA holdings, reduce the Bank's net income and, consequently, adversely affect the Bank's business, financial condition and results of operations generally.

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

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

The Bank may incur significant losses from its trading and investment activities due to market fluctuations and volatility.

The Bank's asset portfolio is comprised primarily of loans to customers and investments in securities held at fair value through profit or loss (**FVTPL**), fair value through other comprehensive income (**FVOCI**) securities and investment securities at amortized cost. As at 31 December 2024, the Bank's trading and investment securities portfolio was ₱876.1 billion.

The Bank's income from trading activities is subject to substantial volatility based on, among other things, changes in interest rates, foreign currency exchange rates and debt prices, as well as stock market fluctuations. For example, an increase in interest rates or downgrade of the credit ratings of some of the fixed income securities invested may have a substantial impact on the value of the Bank's investments in fixed income securities, which would negatively affect the Bank's results of operations.

The varying gains recognised by the Bank as a result of its trading of securities have caused the Bank's trading income to vary significantly from period to period. For the years ended 31 December 2022, 2023 and 2024, the Bank reported a net trading loss of ₱322 million, a net trading gain of ₱1,455 million and a net trading loss of ₱127 million, respectively. A slowdown in domestic or global growth may make it more difficult for the Bank to generate substantial gains from its trading activities.

The results of operations of the Bank's businesses may vary significantly from time to time.

As a consequence, in part, of the acquisitions the Bank has made prior to 2020, and the varying levels of provisions it has made in respect of NPLs, ROPA, pension liabilities, impairment in the value of investments and other developments, the Bank's results of operations have varied from period to period in the past and may fluctuate significantly in the future due to these and other factors.

The Bank's results of operations may be adversely affected if the assumptions used to determine the cost of retirement benefits under the Bank's retirement plans change.

The Bank has a funded non-contributory retirement plan covering substantially all of its qualified employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. As at 31 December 2024, the fair value of the retirement plan assets of the Bank was ₱71.0 billion and the present value of the obligation was at ₱63.8 billion. After expenses and contributions made relative to the Bank's retirement fund, the Bank recognised a retirement benefit asset of ₱6.7 billion as at 31 December 2024.

The principal actuarial assumptions used by the Bank to determine the cost of retirement benefits include a discount rate of 6.04% to 6.13% and a salary increase of 1.00% to 13.00% per annum, compounded annually. If these assumptions prove to be incorrect, the Bank's funding obligations in respect of its retirement plans may be significantly higher than currently anticipated. The Bank regularly reviews its assumptions and methodology and takes appropriate actions to ensure that the retirement plan assets meet actuarial requirements. Any change in methodology or assumptions affects the amount that the Bank amortises each year in respect of its retirement fund liabilities, which would adversely affect the Bank's net income.

The Bank's recent and potential acquisitions may represent a risk if not managed effectively, and expected synergies may not be realized.

The Bank completed several acquisitions in 2014 and 2015, including acquiring Citibank Savings in March 2014, the trust business of Deutsche Bank in June 2014, Real Bank in August 2014 and One Network Bank, Inc. (ONB, renamed BDO Network Bank, Inc. (**BDO Network**)) in July 2015. On 9 June 2015, the Bank announced that it concluded an agreement to terminate the joint venture vehicle Generali Pilipinas Holdings Company Inc. (**GPHC**), the parent firm of life insurer Generali Pilipinas Life Assurance Company (**Generali Assurance**) and non-life insurer Generali Pilipinas Insurance Company (**Generali Insurance**). On 30 June 2016, the Bank secured final regulatory approval to acquire full interest in GPHC. GPHC and Generali Assurance were thereafter renamed BDO Life Assurance Holdings Corp., and BDO Life Assurance Company, Inc. (**BDO Life**), respectively.

On 14 June 2016, the Bank announced the acquisition of SB Cards Corp.'s (**SB Cards**) exclusive rights as issuer and acquirer of Diners Club International credit cards in the Philippines. The acquisition, which includes SB Cards' existing Diners Club portfolio and its cardholder base, was completed on 30 September 2016.

On 11 February 2019, the Bank disclosed that its subsidiary, BDO Network, had signed an agreement with Rural Bank of Pandi Inc. (**RBPI**) for the acquisition of RBPI's banking business in Bulacan. On 31 October 2019, BDO Network completed its purchase of the recorded gross loan receivables and assumption of the recorded deposit liabilities of RBPI.

On 26 November 2020, the Bank announced the completion of the buyout of Nomura's ownership in BDO Nomura following an announcement last 23 June 2020 terminating their joint venture arrangement. BDO Capital acquired Nomura's 49% stake in BDO Nomura. BDO Nomura was merged with BDO Securities with the latter as the surviving entity. BDO Securities was reorganized into a full-service brokerage firm with an expanded product offering to include non-equity securities.

On 27 December 2023, the Bank announced the completion of the buyout the Keppel Group's ownership in TPCI following an announcement last 27 March 2023 of the Keppel Group's decision to divest its stake in TPCI. TPCI was merged with the Bank effective 1 December 2024.

While the Bank believes these acquisitions complement the Bank's existing business lines and will provide opportunities to seize new market opportunities in line with the Bank's goal to maximise long-term shareholder value, there are a number of risks inherent in any merger/acquisition process. These include risks that:

- The expected cost savings or revenue enhancing opportunities cannot be realised in the amounts or within the time frames contemplated;
- The extraordinary expenses, costs or difficulties relating to the integration of the businesses and information management systems are greater than expected;
- The existing customer and employee relationships are adversely affected, which may cause, among others, potential deposit attrition from target entity customers; and
- The integration difficulties or other factors relating to the rationalisation of the business cause unexpected business interruption.

Moreover, the Bank continually examines opportunities for acquisitions in the future as a means of accelerating growth or expanding its market coverage. Any future mergers or acquisitions will also subject the Bank to risks such as the deterioration of asset quality, the diversion of management's attention required to integrate the acquired business, failure to retain key acquired personnel and clients, leverage synergies, rationalise operations, or develop the skills required for new businesses and markets, some or all of which could have an adverse effect on its business. Further, while the Bank believes that the transaction agreements relating to its mergers or acquisitions contain provisions that protect the Bank against unknown and known liabilities, there can be no assurance that the Bank will not be subject to such liabilities in the future.

Accordingly, no assurance can be given that the Bank's recent, contemplated or potential mergers or acquisitions will result in the benefits to its business anticipated by the Bank or that the balance of the integration process will not adversely affect the Bank's existing operations or financial condition.

The Bank is affiliated with one shareholder group, with which it has extensive financial and business connections.

As at 31 December 2024, SM Investments Corporation (**SMIC**) directly owned approximately 40.7% of the Bank's common shares. Multi Realty Development Corporation, Sybase Equity Investments Corporation and SM Prime Holdings (formerly SM Land), companies affiliated with SMIC and its controlling shareholders (the **SM Group**), held 6.6%, 5.4% and 2.0%, respectively, of the Bank's issued common shares. There can be no assurance that the interests of the SM Group will necessarily coincide with the interests of the Bank and the Bank's other Shareholders. See "Management, Employees and Shareholders".

The Bank has historically had close business relationships with the SM Group, and as at 31 December 2024, the Bank's loans to the SM Group amounted to ₱9.8 billion, or 0.3% of the Bank's total loan portfolio (including secured non-risk loans not subject to the BSP's single borrower's limit), which is below the BSP's single borrower limit for related party transactions (**RPTs**). The Bank's loans to the SM Group are on commercial, arm's length terms. While the Bank is not dependent on the SM Group for any funding, financial guarantees, or other forms of financial support, any default by the SM Group on such loans from the Bank, or failure by the SM Group to make timely payments of amounts due under such loans, could have a material adverse effect on the Bank's financial

condition and results of operation. Furthermore, the Bank benefits from its relationship with the SM Group through certain business synergies, including access to SM clients and prospective clients, joint product development and branch or ATM locations in SM malls. As a result, deterioration in the financial condition of the SM Group could have a material adverse effect on the Bank's financial condition and business opportunities.

In addition, if there is any public perception in the Philippines that the Bank is reliant on the financial condition of the SM Group, there could be a loss of confidence in the Bank's solvency among its depositors or creditors in the event of deterioration in the financial condition of the SM Group. In particular, this could result in withdrawals of deposits or decrease in new deposits beyond levels anticipated by the Bank, or otherwise have a material adverse effect on the Bank's financial condition and results of operation.

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

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

The Bank may fail to upgrade or effectively operate its information technology systems.

The Bank's businesses are heavily dependent on the ability to timely and accurately collect and process a large amount of financial and other information across numerous and diverse markets and products at its various branches, at a time when transaction processes have become increasingly complex with increasing volume and at a time of increased disruption to the financial services sector from the emergence of financial technology firms. The proper functioning of the Bank's financial control, risk management, accounting or other data collection and processing systems, together with the communication networks connecting the Bank's various branches and offices is critical to its business and its ability to compete effectively. The Bank employs a core banking system with centralised database to support its domestic and international business operations. The core banking system is linked to the Bank's electronic channels including ATMs, internet banking, and mobile banking, which provides online real-time transaction processing. The data on the Bank's core banking system, centralised database and electronic channels are protected with real-time backup and replication infrastructure. Any failure in the Bank's systems or to implement new systems, particularly for retail products and banking transactions could have a negative effect on its business, financial condition and results of operations.

The Bank's failure to manage risks associated with its information and technology systems could adversely affect its business.

The Bank is subject to risks relating to its information and technology systems and processes. The IT hardware and software used by the Bank in its information technology is vulnerable to damage or interruption by human error, misconduct, malfunction, natural disasters, power loss, sabotage, computer viruses or the interruption or loss of support services from third parties such as internet service providers and telephone companies. Any disruption, outage, delay or other difficulties experienced by any of these information and technology systems could result in delays, disruptions, losses or errors that may result in loss of income and decreased consumer confidence in the Bank. These may, in turn, adversely affect the Bank's business, financial position and results of operations.

As the Bank increases its digital capabilities, its business and internal systems have, and will increasingly rely on software and processes that are highly technical and complex. In addition, the Bank's digitisation capabilities

will depend on the ability of such software and processes to store, retrieve, process and manage large amounts of data. The software and processes on which the Bank relies may now or in the future contain, undetected errors or bugs.

The Bank seeks to protect its computer systems and network infrastructure from physical break-ins as well as cybersecurity breaches and other disruptive problems caused by the Bank's increased use of mobile apps and digital solutions. The Bank also has access to and analyses certain data from its customers with their authorisation, which makes it an attractive target and potentially vulnerable to cyber-attacks, computer viruses, physical or electronic break-ins or similar disruptions. Computer break-ins and security breaches could affect the confidence, integrity and availability of information stored in and transmitted through these computer systems and network infrastructure. The Bank employs IT security solutions such as firewalls data encryption and multifactor authentication, designed to minimise the risk of security breaches and maintains operational procedures to prevent break-ins, damage and failures. The potential for fraud and security problems is likely to persist and there can be no assurance that these security measures will be adequate or successful in view of the dynamic and evolving transformation of cybercrimes. Further, as techniques used to sabotage or obtain unauthorised access to systems change frequently and generally are not recognised until they are launched against a target, the Bank may be unable to anticipate these techniques or to implement adequate preventative measures. The Bank has incurred and will continue to incur expenses and costs related to such security measures, such as the engagement of external cyber security partners to conduct vulnerability testing and compromise assessments, and the hiring of skilled IT personnel. The failure of the Bank to successfully implement security measures or prevent any security breaches could have a material adverse effect on the Bank's business, financial condition and results of operations as well as the reputation of the Bank.

For example, on 11 December 2021, there were reports of unauthorized transactions in certain BDO accounts. The Bank immediately responded to the fraud incident by implementing additional security controls to block further attempts from fraudsters and protect clients' bank credentials. At the same time, the Bank began processing the reimbursement of affected clients. On 20 May 2022, the Bank disclosed that the related examination by the BSP has been completed and that there are no monetary sanctions imposed by the BSP on this matter. There is no assurance that similar incidents will not happen in the future, or that penalties (whether monetary or operational) or restrictions are not imposed on the Bank, or that the Bank will not be liable to any customer or third party for any damages in relation to such incidents, or that the Bank's reputation and brand will not be materially and adversely affected by similar incidents. All of these could materially and adversely affect the Bank's business, financial condition, and results of operation.

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

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

The Bank is subject to interest rate risk.

The Bank realises income from the margin between interest-earning assets (due from BSP on balances above the minimum reserve requirement, due from other banks, interbank loans receivable and securities purchased under resale agreement with BSP, investment securities and loans and receivables), and interest paid on interest-bearing liabilities (deposit liabilities, bills payable and subordinated debt, and other forms of borrowings).

The business of the Bank is subject to fluctuations in market interest rates as a result of mismatches in the re-pricing of assets and liabilities. These interest rate fluctuations are neither predictable nor controllable and may have a material adverse impact on the operations and financial condition of the Bank. In a rising interest rate environment, if the Bank is not able to pass along higher interest costs to its customers, it may negatively affect the Bank's profitability. If such increased costs are passed along to customers, such increased rates may make loans less attractive to potential customers and result in a reduction in customer volume and hence operating revenues. In a decreasing interest rate environment, potential competitors may find it easier to enter the markets in which the Bank operates and to benefit from wider spreads. As a result, fluctuations in interest rates could have an adverse effect on the Bank's margins and volumes and in turn adversely affect the Bank's business, financial condition and results of operations.

The Bank is subject to foreign exchange risk.

As a financial organisation, the Bank is exposed to foreign exchange risk. Movements in foreign exchange rates could adversely affect the Bank's business, financial condition and results of operations. The foreign exchange transactions of Philippine banks are subject to stringent BSP regulation. Under BSP guidelines, the Bank is required to provide 100.0% foreign asset cover for all foreign currency liabilities in its Foreign Currency Deposit Unit (FCDU) books. As at 31 December 2024, the Bank had U.S.$9.9 billion of foreign assets and U.S.$9.9 billion of foreign currency liabilities in its FCDU books, primarily in U.S. dollars. The decline in the value of the Peso against foreign currencies, in particular, the U.S. dollar may affect the ability of the Bank's customers or the Government to service debt obligations denominated in foreign currencies and, consequently, increase NPLs. Conversely, increases in the value of the Peso can depress the export market which can negatively affect the ability of the Bank's customers to repay their debt obligations or may reduce credit quality or demand. There can be no assurance that the Peso will not fluctuate further against other currencies and that such fluctuations will not ultimately have an adverse effect on the Bank.

Failure to meet the Government's mandatory exposure to agricultural, fisheries, and rural sectors could affect the Bank's business, financial position and results of operations.

In 2022, Republic Act No. 11901, otherwise known as "The Agriculture, Fisheries, and Rural Development Financing Enhancement Act of 2022 (**AFRD**) was passed into law and revised the implementation of the Government's priority lending to the agricultural, fisheries, and rural sectors. The AFRD provided additional modes of compliance which banking institutions can avail when fulfilling the legal requirement of setting aside 25% of their total loanable funds for AFRD financing. Failure to meet the specified level of compliance may result in fines being imposed against a non-compliant bank.

The Parent Bank has been able to meet and exceed the required exposure under the AFRD. As at 31 December 2024, the Parent Bank's required AFRD financing was ₱87.2 billion and its total compliance reached ₱307.4 billion. The Bank's actual compliance level amounted to ₱327.8 billion, against a regulatory minimum exposure of ₱92.9 billion. The Bank's continued positive compliance to the AFRD requirement will largely depend on the commensurate growth of eligible loans and investments as against its total loanable funds, as defined in the AFRD.

The ratings of third-party rating agencies could adversely impact the Bank's ability to obtain, renew or extend credit facilities, or otherwise raise funds.

Rating agencies from time to time review prior corporate and specific transaction ratings in light of changes in ratings. In the event of a downgrade of the Bank by one or more credit rating agencies, the Bank may have to accept terms that are not as favourable in its transactions with counterparties, including capital raising activities, or may be unable to enter into certain transactions. This could have a negative impact on the Bank's treasury operations and also adversely affect its financial position and results of operations. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. The rating agencies may also decide to withdraw their ratings altogether, which may have the same effect as a reduction in its ratings. In March 2024, Moody's affirmed the Bank's Long-Term Bank Deposits Rating of Baa2 and Baseline Credit Assessment Rating of baa2 as well as retained its outlook at stable, on account of the Bank's stabilizing asset quality, strong capital and adequate profitability. In March 2025, Fitch affirmed the Bank's credit rating of BBB- with a stable outlook.

However, any reduction in the Bank's ratings (or withdrawal of ratings) may increase its borrowing costs, limit its access to capital markets and adversely affect its ability to sell or market its products, engage in business

transactions, particularly longer-term and derivatives transactions, or retain its customers. This, in turn, could reduce the Bank's liquidity and negatively impact its operating results and financial position.

The Bank relies on certain key personnel and the loss of any such key personnel or the inability to attract and retain other highly capable individuals may negatively affect its business.

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

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

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

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

The Bank is and may in the future be, implicated in lawsuits on an ongoing basis. Litigation could result in substantial costs to, and a diversion of effort by, the Bank or subject the Bank to significant liabilities to third parties.

There can be no assurance that the results of legal proceedings in which the Bank is involved will not materially harm the Bank's business, reputation or standing in the marketplace or that the Bank will be able to recover any losses incurred from third parties, regardless of whether the Bank is at fault. Further, there can be no assurance that: (i) losses relating to litigation will not be incurred beyond the limits, or outside the coverage, of bank insurance, or that any such losses would not have a material adverse effect on the results of the Bank's business, financial position or results of operation, or (ii) provisions made for litigation related losses will be sufficient to cover the Bank's ultimate loss or expenditure.

The Bank has previously been involved in litigation relating to the use of its brand name and related intellectual property rights, and any future dispute over these rights could adversely affect the Bank.

The Bank has, in the past, been involved in litigation relating to the use of its brand name and related intellectual property rights.

If other parties bring suit and are successful against the Bank in preventing it from using its brand names and related intellectual property rights, the Bank may be forced to cease using the name "BDO" and other trademarks or property rights, which would adversely impact the Bank's ability to market its product offerings. Alternatively, if other parties sell products that use counterfeit versions of the Bank's brands or otherwise look like the Bank's brands, consumers may confuse the Bank's products with products that they consider inferior. This could cause consumers to refrain from utilising the Bank's services and purchasing the Bank's products in the future and adversely affect the Bank's brand image and revenues. It cannot be assured that the Banks will be successful either in defending suits against it for trademark infringement or related litigation, or in seeking to prevent others from using counterfeit versions of its brands. Any failure by the Bank to protect its proprietary rights could have an adverse effect on the Bank's competitive position, business, results of operations and prospects.

CONSIDERATIONS RELATING TO THE BONDS

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, the appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Unaudited interim financial statements deemed incorporated by reference.

Any published unaudited interim financial statements of the Issuer (whether prepared on a consolidated or a non-consolidated basis) which are, from time to time, deemed to be incorporated by reference in this Offering Circular will not have been audited or subject to a review by the auditors of the Issuer. Accordingly, there can be no assurance that, had an audit or a review been conducted in respect of such financial statements, the information presented therein would not have been materially different, and investors should not place undue reliance on them.

The priority of debt evidenced by a public instrument.

Under Philippine law, in the event of liquidation of a company, unsecured debt of the company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244 of the Civil Code of the Philippines will rank ahead of unsecured debt of the company which is not so evidenced. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. Any such debt evidenced by a public instrument may, by mandatory provision of law, rank ahead of the Bonds in the event of liquidation of the Bank.

The Bonds may have limited liquidity.

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

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

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

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

The Bank may be unable to redeem the Bonds.

At maturity, the Bank will be required to redeem all of the Bonds. The Bank may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem the Bonds by the Bank would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Bank.

Transfers only through PDEx

While the Bonds are listed on PDEx, all transfers of the Bonds must be made through the facilities of PDEx. Consequently, the parties to a transfer may be subject to the guidelines of the relevant PDEx trading participant and the payment to such trading participant and the Registrar of any reasonable fees. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions.

The Bonds are required to be listed on an established exchange. Investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment (**DvP**) basis in accordance with PDEx Settlement Rules and Guidelines.

These rules and guidelines cover minimum trading lots and record dates. The secondary trading of Bonds in PDEx may be subject to such fees and charges of PDEx, the trading participants of PDEx, and other providers necessary for the completion of such trades. The PDEx rules and conventions are available in the PDEx website (www.pds.com.ph). An investor Frequently Asked Questions (**FAQ**) discussion on the secondary market trading, settlement, documentation and estimated fees are also available in the PDEx website.

As with other fixed income securities, the Bonds trade at prices higher or lower than the initial offering price due to prevailing interest rates, the Bank's operations, and the overall market for debt securities, among others. It is possible that a selling Bondholder would receive sales proceeds lower than his initial investment should a Bondholder decide to sell his Bonds prior to maturity.

Issuance and Transfer Restrictions

The Bonds may not be issued or transferred to Prohibited Bondholders as defined in the Terms and Conditions.

The Registrar is authorized to refuse any transfer or transaction in the Registry which may be in violation of these restrictions. There is no assurance that the secondary trading of the Bonds may not be affected given these restrictions.

Pursuant to Circular Letter (**CL**) Nos. 2022-23 and 2022-37, certain investments of Insurance, Mutual Benefit Associations (**MBA**) and Pre-need Companies including the offer of Bonds will not require prior approval from the Insurance Commission provided they are in accordance with the conditions and limitations set forth therein.

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

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

Taxation of the Bonds

The Tax Code (the National Internal Revenue Code of 1997, as amended) provides that interest-bearing obligations of Philippine residents are Philippine sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and alien resident individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20% based on the gross amount of interest. Generally, interest on the Bonds received by non-resident aliens engaged in trade or business in the Philippines is subject to a 20% final withholding tax while that received by non-resident aliens not engaged in trade or business is subject to a final withholding tax rate of 25%. Interest income received by domestic corporations and resident foreign corporations from the Bonds is subject to a final withholding tax rate of 20%. Interest income received by non-resident foreign corporations from the Bonds is subject to a 25% final withholding tax.

The foregoing rates are subject to further reduction by any applicable tax treaties in force between the Philippines and the country of residence of the non-resident owner. Most tax treaties to which the Philippines is a party generally provide for a reduced tax rate of 15% in cases where the interest which arises in the Philippines is paid to a resident of the other contracting state. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected with such permanent establishment.

U.S. Foreign Account Tax Compliance Act withholding may affect payments on the Bonds.

The U.S. FATCA imposes a new reporting regime and, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. On 13 July 2015, the IGA Model 1 was signed and executed by the Philippines and the United States. As a Reporting Model 1 PFFI within Philippine jurisdiction, Under the said aforementioned IGA Model 1, the obligation to withhold tax under section 1471 or 1472 of the U.S. Internal Revenue Code with respect to an account held by a recalcitrant account holder is suspended subject to compliance by the Bank and the BIR thereunder. This suspension, however, may possibly be lifted either by the U.S. IRS or the Philippine Competent Authority, specifically by the BIR.

Whilst the Bonds are maintained in scripless form through the Registrar, and persons classified as U.S. persons under FATCA are considered Prohibited Bondholders, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Registrar. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary is generally unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or such other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or such other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer’s obligations under the Bonds are discharged once it has paid the Paying Agent and the Issuer has therefore no responsibility for any amount thereafter transmitted through such custodians or intermediaries. There is no assurance that the secondary trading of the Bonds may not be affected by FATCA.

CONSIDERATIONS RELATING TO THE BONDS ISSUED AS SUSTAINABILITY BONDS

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

The Bank may issue the Bonds, the use of proceeds of which shall be specifically and exclusively used for the financing and/or refinancing of specified "green", "social", or "sustainability" projects of the Bank or any of its subsidiaries, in accordance with certain prescribed eligibility criteria (**Sustainability Bonds**). In connection with an issue of Sustainability Bonds, the Bank may request a sustainability rating agency or sustainability consulting firm to issue an independent opinion (a **Second Party Opinion**) confirming that such Sustainability Bonds are in compliance with the Sustainable Bond Principles prepared and published by the International Capital Market Association (the **ICMA Sustainability Bond Guidelines 2021**) and the ASEAN Capital Markets Forum (the **ASEAN Sustainability Bond Standards 2018**).

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

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green" "social" or "sustainable", and therefore no assurance can be provided to potential investors that the projects to be undertaken in the use of proceeds qualify as "green", "social", or "sustainability" projects, nor they will meet all investors' expectations regarding sustainability performance or continue to meet the relevant eligibility criteria. Although applicable sustainable projects are expected to be selected in accordance with the categories recognized by the ICMA Sustainability Bond Guidelines 2021 and ASEAN Sustainability Bond Standards 2018, and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green or sustainable projects. In addition, where any negative impacts insufficiently mitigated, the projects may become controversial, and/or may be criticized by activist groups or other stakeholders.

Accordingly, no assurance is or can be given by the Bank, any other member of the Bank, the Sole Arranger, any Selling Agent or any other person to investors that any projects or uses the subject of, or related to, any Eligible Green and/or Social Projects, as defined in Bank's Sustainable Finance Framework (**SFF**), will satisfy whether in whole or in part, any present or future investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Green and/or Social Projects. In addition, no assurance can be given by the Bank, any other member of the Bank, the Sole Arranger, any Selling Agent or any other person to investors that any Bonds will comply with any future standards or requirements regarding any "green", "social" or "sustainable" or other equivalently-labelled performance objectives and, accordingly, the status of any Bonds as being "green", "social" or "sustainable" (or equivalent) could be withdrawn at any time.

Potential investors should be aware that neither the SFF nor any Second Party Opinion will not be incorporated into, and will not form part of, this Offering Circular. Any such Second Party Opinion may not reflect the potential impact of all risks related to the structure of the relevant Sustainability Bonds, their marketability, trading price or liquidity or any other factors that may affect the price of value of the Sustainability Bonds. Any such Second Party Opinion is not a recommendation to buy, sell or hold securities and is only current as of its date of issue. Prospective investors must determine for themselves the relevance of any such Second Party Opinion and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Sustainability Bonds. Any such Second Party Opinion is a statement of opinion, not a statement of fact. To the fullest extent permitted by law, the Sole Arranger and the Selling Agents do not accept any responsibility for the contents, accuracy, completeness or sufficiency of any such information in such Second Party Opinion or in the SFF. Currently, the providers of such Second Party Opinions and certifications are not subject to any specific regulatory or other regime or oversight. Further, although the Bank may agree at the Issue Date of any Sustainability Bonds to certain allocation and/or impact reporting and to use the proceeds for financing and/or refinancing of green or sustainable projects (as specified in the Use of Proceeds), it would not

be an event of default under the Sustainability Bonds if (i) the Bank were to fail to comply with such obligations or were to fail to use the proceeds in the manner specified in the applicable Terms and Conditions, (ii) the Bank were to fail to comply with the provisions of its SFF or the SEC Memorandum Circulars No.12 (2018), No. 8 (2019), No. 9 (2019), and No. 15 (2023) and/or (iii) the Second Party Opinion were to be withdrawn. Any failure to use the net proceeds of any Sustainability Bonds in connection with green or sustainable projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to such Sustainability Bonds may affect the value and/or trading price of the Sustainability Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green or sustainable assets which may cause one or more of such investors to dispose of the Sustainability Bonds held by them which may affect the value, trading price and/or liquidity of the relevant Sustainability Bonds.

Neither the Bank nor the Sole Arranger and Selling Agents make any representation as to the suitability or reliability for any purpose whatsoever of the SFF or any Second Party Opinion or whether any Sustainability Bonds fulfil the relevant environmental and sustainability criteria. Any such Second Party Opinion is for information purposes only and neither the sole Arranger nor the Selling Agents accept any form of liability for the substance of the Second Party Opinion and/or any liability for loss arising from the use of such Second Party Opinion and/or the information provided in it. Prospective investors should have regard to the eligible sustainable bond projects and eligibility criteria described in the applicable Use of Proceeds. Each potential investor of the Sustainability Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of any Sustainability Bonds should be based upon such investigation as it deems necessary. As of the date of this Offering Circular, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

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

While it is the intention of the Issuer to apply the net proceeds of any Sustainability Bonds and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in “Use of Proceeds,” there can be no assurance that the Issuer will be able to do so. In addition, there can be no assurance that any Eligible Green and/or Social Projects will be completed within any specified period or at all or with respect to the results or outcome (whether or not related to the environment, social goals, sustainability goals or similar) as originally expected or anticipated by the Issuer. The Sole Arranger and Selling Agents have not undertaken, nor are responsible for, any assessment of the eligibility of any Eligible Green and/or Social Projects or the monitoring of the use of proceeds from any issue of Sustainability Bonds. In addition, none of the Sole Arranger or Selling Agents makes any representation as to the compliance of the Bank with the SFF.

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

USE OF PROCEEDS

The net proceeds from the issuances under the Updated Bond Programme will be used to to support the Bank's lending activities and diversify funding sources. A more definite use of proceeds from a Series or Tranche of Bonds will be included in the applicable Pricing Supplement for such Series or Tranche of Bonds.

GENERAL TERMS AND CONDITIONS

TERMS AND CONDITIONS OF THE BDO BONDS

*These Peso-Denominated Bonds to be issued under the Bank's ₱500 Billion Updated Bond Programme are being issued by BDO Unibank, Inc (the **Bank**) in favor of the Bondholders (as defined below) in accordance with the General Banking Law of 2000 (Republic Act No. 8791), the Manual of Regulations for Banks (**MORB**), BSP Circular 1010 series of 2018, BSP Circular 1062 series of 2019, and such other circulars and regulations as may be relevant for the transaction, as these may be amended from time to time, and shall at all times be subject to and governed by these Terms and Conditions.*

1	**DEFINITIONS**	In these Terms and Conditions and the Contracts (as hereinafter defined):
	"ADVERSE EFFECT"	means any material and adverse effect on: (a) the ability of the Bank to duly perform and observe its obligations and duties under the Bonds and the Contracts; (b) the condition (financial or otherwise), prospects, results of operations or general affairs of the Bank or the Group; or (c) the legality, validity and enforceability of the Contracts;
	"AGREEMENT DATE"	means, in respect of a Series or Tranche of Bonds, the date on which the agreement is reached for the issue of such Series or Tranche of Bonds as contemplated in the Programme Agreement which will be the date on when the Arranger(s) or Selling Agent(s) agree with the Bank on the pricing details for such Series or Tranche of Bonds, such date being the execution date of the relevant Placement Agreement (or any other document evidencing the issue details of such Series or Tranche of Bonds;
	"AMLC"	means the Anti-Money Laundering Council created to implement the Anti-Money Laundering Laws of the Philippines;
	"ANTI-MONEY LAUNDERING LAWS OF THE PHILIPPINES"	means Republic Act No. 9160, as amended by Republic Act No. 9194 and 10167, 10365, and 10927, Republic Act No. 10168, otherwise known as The Terrorism Financing Prevention and Suppression Act of 2012, and BSP Circular Nos. 251, 253, 279, 302, 495, 564, 608, 612, 706, 765, 794, 950, and 1022, and all other amendatory and implementing laws, regulations, jurisprudence, notices or orders of any Philippine governmental body relating thereto;
	"ARRANGER"	means the ING Bank N.V., Manila Branch as Arranger for the Updated Bond Programme, and/or such other entities appointed or as may be appointed by the Bank as an arranger in respect of each Series or Tranche of Bonds, and excludes any entity whose appointment has been terminated pursuant to the Programme Agreement;
	"AUDITORS"	means Punongbayan & Araullo;
	"BANK"	means BDO Unibank, Inc., the issuer of the Bonds;
	"BIR"	means the Philippine Bureau of Internal Revenue;
	"BOND CERTIFICATE"	means the form representing the Bonds setting forth the Terms and Conditions;

"BONDHOLDER(S)"	means a person who, at any relevant time, appears in the Registry as the registered owner of the Bonds;
"BONDS"	means the bonds (whether the same be fixed rate, floating rate and/or zero-coupon bonds) to be issued by the Bank under the Updated Bond Programme, represented by a Bond Certificate or Bond Certificates, and subject to the Governing Regulations and these Terms and Conditions;
"BSP"	means the Bangko Sentral ng Pilipinas;
"BUSINESS DAY"	means any day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in Metro Manila and Makati City are required or authorized to be open for business. All other days not otherwise specified in these Terms and Conditions shall mean calendar days;
"CONTRACTS"	means: (a) the Programme Agreement between the Bank, the Arranger and the Initial Selling Agents dated on or about 15 November 2019; (b) the Registry and Paying Agency Agreement between the Bank and the Registrar and Paying Agent dated on or about 15 November 2019, as may be supplemented, amended and/or restated from time to time; (c) the Trust Agreement between the Bank and the Trustee dated on or about 15 November 2019; (d) in respect of a Series or Tranche of Bonds, the relevant Bond Certificate; (e) these Terms and Conditions; (f) the Placement Agreement to be executed for each Series or Tranche of Bonds; (g) the Pricing Supplement for each Series or Tranche of Bonds; and (h) such other separate letters or agreements covering conditions precedent, fees, expenses and other obligations of the parties, including amendments or accessions thereto;
"ELECTRONIC SECURITIES ISSUE PORTAL"	means the e-Securities Issue Portal (**e-SIP**) established and maintained by the Philippine Dealing System Holdings Corp. e-SIP will serve as an electronic channel for submission of documents for listing, enrollment, and registration of bondholders, available to identified stakeholders such as issuers, underwriters or arrangers, selling agents and client investor applicants;
"EVENT OF DEFAULT"	means an event specified as such under Condition 22 hereof;
"GOVERNING REGULATIONS"	means all the necessary rules and guidelines for the issuance of the Bonds, including, the General Banking Law of 2000 (Republic Act No. 8791), the Manual of Regulations for Banks, BSP Circular 1010, series of 2018, BSP Circular 1062 series of 2019, and any other circulars and regulations as may be relevant for the transaction, as these may be amended from time to time;
"GROUP"	means the Bank, its subsidiaries, affiliates and entities controlled by the Bank, taken as a whole, and each of them being a member of the Group;
"*INTEREST"*	means the interest payable on the relevant Series or Tranche of the Bonds at the Interest Rate set out in the applicable Pricing Supplement;
"INTEREST PAYMENT DATE"	means the dates specified in the applicable Pricing Supplement on which the Interest on the Bonds are payable. Interest shall be computed based on the outstanding balance of the relevant Series or Tranche of Bonds.

If any Interest Payment Date would otherwise fall on a day that is not a Business Day, payments will be made on the subsequent Business Day without adjustment of the amount due.

"INTEREST RATE" means, in respect of any Series or Tranche of Bonds, the interest rate indicated in the Pricing Supplement, payable in arrears on each Interest Payment Date.

"ISSUE DATE" means in respect of any Series or Tranche of Bonds, the date of issue and purchase of such Series or Tranche of Bonds, as indicated in the applicable Pricing Supplement;

"ISSUE PRICE" at par or 100% of face value or, in the case of a zero-coupon Bond, at a discount to the face value thereof, as specified in the applicable Pricing Supplement;

"MAJORITY BONDHOLDER" means the holders of more than fifty percent (50%) of the principal amount of the Bonds then outstanding at the relevant time under the Updated Bond Programme, provided, that in respect of any matter pertaining to matters relating to the relevant Series or Tranche of Bonds, only the concerned Bondholders of a particular Series or Tranche will be considered for quorum and approval purposes in any meeting in which any such matter is presented for resolution.

For purposes hereof, "***outstanding***" means, at any time in relation to a Bondholder and when used as of any particular time with reference to the Bonds, the aggregate outstanding principal amount owed to a Bondholder in respect of the face value of the Bonds purchased by such Bondholder from the Bank which has not been fully redeemed by Bank;

"MATURITY DATE" means, in respect of any Series or Tranche of Bonds, the maturity date indicated in the applicable Pricing Supplement;

"MATURITY VALUE" means the Issue Price plus unpaid and accrued Interest; up to but excluding the Maturity Date;

"OFFERING CIRCULAR" means the Offering Circular (including, for the avoidance of doubt, the consolidated financial statements of the Bank included therein) prepared in respect of the Updated Bond Programme, as revised, supplemented and/or amended from time to time by the Bank in accordance with the Programme Agreement, including any documents which are from time to time incorporated in the Offering Circular by reference, provided that:

(a) In relation to each Series or Tranche of Bonds only, the applicable Pricing Supplement shall be deemed included in the Offering Circular; and

(b) In respect of the Agreement Date and the Issue Date, the Offering Circular means the Offering Circular as at the Agreement Date, but without prejudice to (a) above, not including any subsequent revisions, supplement or amendment to it or incorporation of information in it subsequent to the relevant Agreement Date;

"PDEx" means the Philippine Dealing & Exchange Corp., a domestic corporation duly registered with and licensed by the SEC to operate an exchange and trading market for fixed income securities and a member of the Philippine Dealing System Group of Companies;

"PDEX RULES" means the PDEx Rules for the Fixed Income Securities Market and all its amendments, effective at the relevant time;

"PDEX TRADING PARTICIPANT"	means any person or legal entity qualified to trade on the PDEx Trading System pursuant to the PDEx Rules;
"PLACEMENT AGREEMENT"	means the Issue Management and Placement Agreement in respect of a Series or Tranche of Bonds in the agreed form among the Bank, Arranger, and Selling Agents, as may be amended or supplemented from time to time;
"PROGRAMME"	means the updated bond programme in the amount of up to ₱500 billion. The updated bond programme was approved by the Bank's Board of Directors on 25 April 2025 and became effective on 29 May 2025;
"PROHIBITED BONDHOLDER"	means: (1) the Bank or any related party over which the Bank exercises control or significant influence including subsidiaries and affiliates of the Bank, as well as the subsidiaries and affiliates of the Bank's subsidiaries and affiliates, and the wholly- or majority-owned or -controlled entities of such subsidiaries and affiliates except for its trust departments or related trust entities, pursuant to BSP Circular No. 1010, except where the Bank purchases and cancels the Bonds in the open market in accordance with Condition 14; or (2) such persons who are otherwise not qualified under the Governing Regulations including any other person whose acquisition, holding or Transfer of the Bonds would violate any applicable law or regulation, including but not limited to the rules of the PDEx, BSP, AMLC, or other government regulation in any relevant jurisdiction; or (3) persons classified as U.S. Persons under the Foreign Account Tax Compliance Act of the United States, as this may be amended from time to time (FATCA), which include: (a) a U.S. citizen (including a dual citizen who may have another citizenship besides having a U.S citizenship); (b) a U.S. resident alien for tax purposes, which includes a person who has substantial presence in the U.S. (substantial presence" is defined as more than 31 days in the current calendar year or a total of 183 days over the previous three years from the current tax year); (c) a U.S. partnership, U.S. corporation, or U.S. entity; (d) a U.S. estate; (e) a U.S. trust if a court within the United States is able to exercise primary supervision over the administration of the trust, or one or more U.S. persons have the authority to control all substantial decisions of the trust; or (f) any other person that is not a non-US person under the FATCA; or (4) persons classified as a Restricted Party;
"PSE"	means The Philippine Stock Exchange, Inc.;
"REGISTRAR" OR "PAYING AGENT"	means the Philippine Depository & Trust Corp. (**PDTC**), a domestic corporation duly registered and licensed as a registrar and paying agent;
"REGISTRY"	means the electronic registry book of the Registrar containing the official information on the Bondholders and the amount of Bonds they respectively hold, including all Transfers thereof or any liens or encumbrances thereon;
"REGISTRY CONFIRMATION"	means the written advice sent by the Registrar to the Bondholders, confirming the registration in the name of such Bondholder of the specified amount of Bonds issued to or purchased by a Bondholder, in the Registry, and setting forth the declarations required by the BSP;

"RESTRICTED PARTY"	means a person that is: (i) listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on, any Sanctions List; (ii) located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organized under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions; or (iii) otherwise a target of Sanctions (target of Sanctions signifying a person with whom a US person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities);
"SANCTIONS"	means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by: (i) the Philippines; (ii) the United States government; (iii) the United Nations; (iv) the European Union (v) the United Kingdom; or (vi) the respective governmental institutions and agencies of any of the foregoing, including, without limitation, the Office of Foreign Assets Control of the US Department of Treasury (**OFAC**), the United States Department of State, and Her Majesty's Treasury (**HMT**) (together the **Sanctions Authorities**);
"SANCTIONS LIST"	means the Specially Designated Nationals and Blocked Persons", "Consolidated Sanctions" and "Sanctions Programs and Country Information" lists maintained by OFAC, the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by HMT, or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities;
"SEC"	means the Philippine Securities and Exchange Commission, including all its offices and departments, and its successor agency/ies;
"SELLING AGENTS"	means the selling agents appointed under the Programme Agreement (and their respective successor entities) and excludes any entity whose appointment has been terminated pursuant to the Programme Agreement, or the relevant selling agent(s) in respect of a Series or Tranche the Bonds appointed from time to time under the Placement Agreement;
"SERIES"	means a Tranche of Bonds, together with any further Tranche or Tranches of Bonds, as the case may be, which are (a) expressed to be consolidated and form a single series, and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates, and/or Issue Process (and the expressions "**Bonds of the relevant Series", "Bondholders of the relevant series",** and related expressions shall (where appropriate) be construed accordingly);
"TERMS AND CONDITIONS"	mean these terms and conditions pertaining to the Bonds as may be amended from time to time;
"TRANCHE"	means one of a number of issuances of Bonds under a specified Series which are identical in all respects, including specific terms and conditions, Issue Date, Interest Commencement Date, Issue Process, listing and admission to trading.
"TRANSFER"	means the transfer, assignment, or any transaction resulting in change in ownership of, or title to, the Bonds; and
"*TRUSTEE*"	means the Development Bank of the Philippines – Trust Banking Group, a government financial institution organized and existing pursuant to Executive Order No. 81 dated 3 December 1986, otherwise known as the 1986 Revised Charter of the Development Bank of the Philippines, as amended by Republic Act No. 8523 dated 14 February 1998, duly authorized to perform trust and other

		fiduciary businesses, with principal office address at 3/F DBP Building, Sen Gil J. Puyat Avenue, Makati City.
2	**PURPOSE OF ISSUANCE/USE OF PROCEEDS**	The net proceeds of the issue are intended to be used to support the Bank's lending activities and diversify funding sources or as may be provided under the applicable Pricing Supplement.
3	**FORM**	The Bonds shall be issued in scripless form. A Bond Certificate representing the relevant Series or Tranche of Bonds shall be issued to, deposited with, and registered in the name of the Trustee, on behalf of and in trust for the relevant Bondholders, with a copy to be lodged with the Registrar.
4	**DENOMINATION**	The Bonds will be offered, sold and traded in the secondary market in such denominations to be indicated in the applicable Pricing Supplement.
5	**TITLE**	Title to the Bonds shall be indicated in the Registry to be maintained by the Registrar for the Bonds. Initial placement of the Bonds and subsequent Transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing at such time.
6	**SEC REGISTRATION AND LISTING**	The Bonds have not been and will not be registered with the SEC. Since the Bonds qualify as exempt securities under Section 9.1 (e) of the Philippine Securities Regulation Code, the Bonds may be sold and offered for sale or distribution in the Philippines without registration. The Bonds are intended to be listed for electronic trading and settlement on the PDEx on or about the Issue Date. Trading, Transfer, and/or settlement of the Bonds shall be performed in accordance with the PDEx Rules and the rules and procedures of the Registrar.
7	**ELIGIBLE BONDHOLDERS**	In general, the Bonds may be issued or transferred to any person of legal age, regardless of nationality or residency, any corporation, association, partnership, trust account, fund or entity, regardless of place of incorporation or domicile, except, in each case, to Prohibited Bondholders.
8	**QUALIFICATION DETERMINATION**	Each Selling Agent (in the case of initial issuances of the Bonds) or PDEx Trading Participant (in the case of Transfers of the Bonds) shall verify the identity and relevant details of each proposed Bondholder and ascertain that said prospective Bondholder is an Eligible Bondholder and is not a Prohibited Bondholder. For this purpose, prospective Bondholders shall be required to submit any and all information reasonably required by the Selling Agents or the PDEx Trading Participant, as the case may be. Any unresolved question on a prospective Bondholder's eligibility shall be referred to the Bank for its final determination.
9	**INTEREST ACCRUAL AND PAYMENT**	The Bonds will bear Interest on its principal from and including the Issue Date at the rate indicated in the applicable Pricing Supplement for each Series or Tranche of Bonds. Interest shall be payable on each Interest Payment Date as specified in the applicable Pricing Supplement for such Series or Tranche of Bonds. The determination by the Paying Agent of the amount of Interest payable (in the absence of manifest error) is final and binding upon all parties.

10	**MANNER OF PAYMENT OF INTEREST AND PRINCIPAL**	On each Interest Payment Date and Maturity Date (as applicable), the Bank shall make available good and cleared funds to the Bank's designated Payment Account (as defined in the Registry and Paying Agency Agreement) for disbursement to the Bondholders as shown in the Registry to be maintained by the Registrar.
11	**PRINCIPAL REPAYMENT**	The Bonds shall be redeemed at their Maturity Value on Maturity Date. If the Maturity Date falls on a date that is not a Business Day, the Maturity Date shall be on the immediately succeeding Business Day, without adjustment to interest payable in respect of the Bonds.
12	**FINAL REDEMPTION**	All Bonds outstanding on Maturity Date will be redeemed at par or 100% face value.
13	**PRETERMINATION BY THE BONDHOLDER**	Presentation of the Bonds to the Bank for termination or redemption before the Maturity Date is not allowed, unless there occurs an event under "Events of Default" in these Terms and Conditions or as may be provided under the applicable Pricing Supplement for each Series or Tranche of Bonds. Bondholders may, however, transfer their Bonds to another holder who is not a Prohibited Bondholder. Such Transfer shall not be considered a pre-termination, subject to Condition 14.
14	**SECONDARY TRADING**	Unless otherwise prohibited under the PDEx Rules (and subject to Condition 15), the Bonds are freely transferable across tax categories. All Transfers of the Bonds shall be traded or coursed through a PDEx Trading Participant, in accordance with the PDEx rules. All trading in the secondary market should be in denominations indicated in the applicable Pricing Supplement. The denominations for trading the Bonds on PDEx will be subject to the PDEx Rules. As a condition precedent for any Transfer of the Bonds, the transferee Bondholder must present to the Registrar, and in such forms as prescribed by the Registrar: (i) the Registry Confirmations of both the transferor and the transferee (if any); (ii) the Trade-Related Transfer Form or Non-Trade Related Transfer Form; (iii) the Investor Registration Form; (iv) Tax Exempt/Treaty Documents, if applicable; (v) written consent of the transferee Bondholder to be bound by the terms of the Bonds and the Registry Rules, in the form agreed upon between the Bank and the Registrar; and (vi) such other documents as may be reasonably required by the Registrar. A service charge shall be imposed for any registration of Transfer of the Bonds, and the Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any Transfer of the Bonds, each for the account of the Bondholder requesting the registration of Transfer of the Bonds. Subject to Conditions 15 and 17 and payment by the relevant Bondholder of the proper fees, if any, to PDEx and/or the Registrar, a Transfer of Bonds may generally be done at any time. The Bank may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase Bonds pro-rata from all Bondholders, and the Bondholders shall not be obligated to sell. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. For the avoidance of doubt, the Bank may not directly

		or indirectly purchase the Bonds in any instance for the purpose of trading or market making.
15	**TRANSFERABILITY**	All Transfers of the Bonds shall be recorded in the Registry. Settlement in respect of such Transfer, including settlement of applicable taxes (subject to Condition 25), if any, arising from such Transfers, assignments or change in title, shall be for the account of the transferee and/or transferor Bondholder. Transfers of the Bonds made in violation of the restrictions on Transfer under these Terms and Conditions, shall be null and void and shall not be registered by the Registrar. Transfers across tax categories shall not be allowed except on Interest Payment Dates that fall on a Business Day, provided however that Transfers from a Tax-Exempt Category to a Taxable Tax Category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEx, ensuring that the computations are based on the final withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same tax category as its taxable counterpart for the interest period during which such Transfer occurred. For purposes hereof, "tax categories" refer to the three (3) final withholding tax categories covering, particularly, tax-exempt entities, 20% tax-withheld entities and 25% tax-withheld entities. This restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities (as defined or specified under PDEx Rules) is implemented.
16	**PLACE OF REGISTRY AND COMPLIANCE WITH REGISTRY RULES**	The Registry shall be kept at the specified office of the Registrar. To the extent not inconsistent with or contrary to these Terms and Conditions, the registry rules of the Registrar (a copy of which shall be separately provided by the Registrar to the Bank and the Bondholders) shall be observed and complied in the implementation of the functions of the Registrar, including, without limit, Transfers of the Bonds.
17	**CLOSING OF REGISTRY**	The Registrar shall not register any Transfer of the Bonds for a period of two (2) Business Days preceding the due date for any payment of Interest on the Bonds, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Bonds, or register the Transfer of any Bonds previously called for redemption or pre-termination (**Closed Period**). The Registrar will treat the person in whose name the Bonds is registered at the start of the Closed Period as the Bondholder for the purpose of receiving distributions pursuant to these Terms and Conditions and for all other purposes whatsoever, and the Registrar shall not be affected by any notice to the contrary.
18	**STATUS/RANKING**	The Bonds shall constitute the direct, unconditional, unsecured and unsubordinated obligations of the Bank and will at all times rank *pari passu* and ratably without any preference or priority among themselves and with all other present and future unsecured and unsubordinated obligations of the Bank, other than obligations preferred by the law.
19	**MANNER OF DISTRIBUTION**	The Bonds shall be offered in a manner as provided in the applicable Pricing Supplement.
20	**REPRESENTATIONS AND WARRANTIES**	The Bank hereby represents and warrants to the Bondholders, as follows:

(a) each of the members of the Group is duly incorporated, validly existing and in good standing under the laws of its place of incorporation with full power and authority to conduct its business and is lawfully qualified to do business in those jurisdictions in which business is conducted by it;

(b) except as may be disclosed in the Offering Circular, each of the members of the Group has legal title to all its property in each case free and clear of all liens, encumbrances and defects; and any real property and buildings held under lease by the Group are held by them under valid, subsisting and enforceable leases, except where such a failure would not result in an Adverse Effect;

(c) the Bank has the corporate power under the laws of the Republic of the Philippines and its constitutive documents: (i) to issue the Bonds and to enter into and perform its obligations under and to take all other actions and to do all other things provided for or contemplated in the Contracts and these Terms and Conditions; (ii) to conduct its business as presently being conducted and to own its properties and assets now owned by it as well as those to be hereafter acquired by it for the purpose of its business; and (iii) to incur the indebtedness and other obligations provided for in the Bonds;

(d) the Bank (and, if applicable, any person on whose behalf it may act as agent or in a representative capacity) has and will continue to have full capacity and authority to enter into the Contracts and to carry out the transactions contemplated in the Contracts and has taken and will continue to take all action (including the obtaining of all necessary corporate approvals and governmental consents) to authorize the execution, delivery and performance of the Contracts and the issue, offering and distribution of the Bonds;

(e) the Contracts have been duly authorized, executed and delivered by the Bank and constitute valid and legally binding obligations of the Bank;

(f) the Bonds have been duly authorized by the Bank and, when duly executed, authenticated, issued and delivered in accordance with the Contracts, will constitute valid and legally binding obligations of the Bank, enforceable in accordance with its terms;

(g) the Bonds constitute the direct, unconditional, unsecured and unsubordinated Peso-denominated obligations of the Bank, enforceable in accordance with these Terms and Conditions, and will at all times rank *pari passu* and ratably without any preference among themselves and at least *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Bank, present and future, other than obligations mandatorily preferred by law;

(h) all necessary actions and things required to be taken, fulfilled or done (including without limitation the obtaining of any consent, authorization, order or license or the making of any filing or registration) for the issue, offering and distribution of the Bonds, the carrying out of the other transactions contemplated by the Bonds and the Contracts or the compliance by the Bank with the terms of the Bonds and the Contracts, as the case may be, have been taken, fulfilled or done;

(i) the Bank shall comply with all other terms and conditions imposed by the BSP regarding the issuance of the Bonds while any portion of the Bonds remain outstanding;

(j) the Bank has complied with all qualifications and conditions of the Governing Regulations to issue, maintain, service, pay out, redeem, and cancel the Bonds, which qualifications and conditions continue to be complied with;

(k) the execution and delivery of the Contracts, the issue, offering and distribution of the Bonds, the carrying out of the other transactions contemplated by the Contracts and these Terms and Conditions and compliance with their terms do not and will not: (i) conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the documents constituting the Bank, or any indenture, trust deed, mortgage or other agreement or instrument to which the Bank or any of the Bank's subsidiaries is a party or by which it or any of its properties is bound; or (ii) infringe any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental body or court, domestic or foreign, having jurisdiction over the Bank, any such subsidiary or any of their properties;

(l) the (i) Offering Circular, the Pricing Supplement and other materials used in the offer approved by the Bank contain all information with respect to the Group and to the Bonds which is material in the context of the issue, offering and distribution of the Bonds (including, without limitation, all information required by the applicable laws and regulations of the Philippines and the information which, according to the particular nature of the Bank and of the Bonds, is necessary to enable potential Bondholders and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Bank and of the rights attaching to the Bonds); (ii) the statements contained in the Offering Circular and the relevant Pricing Supplement relating to the Bank and the Group are in every material respect true, accurate and not misleading; (iii) the opinions and intentions expressed in the Offering Circular with regard to the Bank and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Group or the Bonds the omission of which would, in the context of the issue, offering and distribution of the Bonds, make any statement in the Offering Circular misleading in any material respect; and (v) all reasonable inquiries have been made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements;

(m) the Offering Circular accurately describes: (i) accounting policies which the Bank believes to be the most important in the portrayal of the Group's financial condition and results of operations (the **Critical Accounting Policies**); (ii) material judgments and uncertainties affecting the application of the Critical Accounting Policies; and (iii) an explanation of the likelihood that materially different amounts would be reported under different conditions or using different assumptions, and the Board of Directors and audit committee of the Bank have reviewed and agreed with the selection and disclosure of the Critical Accounting Policies in the Offering Circular and have consulted with their independent accountants with regards to such disclosure;

(n) each member of the Group maintains systems of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with financial reporting standards in the Philippines for banks and to maintain asset accountability;

(iii) access to assets is permitted only in accordance with management's general or specific authorization; (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and (v) each member of the Group has made and kept books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of such entity and provide a sufficient basis for the preparation of the Bank's consolidated financial statements in accordance with financial reporting standards in the Philippines for banks; and the Bank's current management information and accounting control system has been in operation for at least twelve (12) months during which none of the Bank nor any other member of the Group has experienced any material difficulties with regard to (i) through (v) above;

(o) there are no outstanding guarantees or contingent payment obligations of the Bank in respect of indebtedness of third parties, except as may be described in the Offering Circular; the Bank is in compliance with all of its obligations under any outstanding guarantees or contingent payment obligations as described in the Offering Circular;

(p) the Offering Circular accurately and fully describes: (i) all material trends, demands, commitments, events, uncertainties and risks, and the potential effects thereof, that the Bank believes would materially affect liquidity and are reasonably likely to occur; and (ii) all material off-balance sheet transactions, arrangements, and obligations; and neither the Bank nor any other member of the Group has any material relationships with unconsolidated entities that are contractually limited to narrow activities that facilitate the transfer of or access to assets by the Bank or any other member of the Group, such as structured finance entities and special purpose entities that are reasonably likely to have a material effect on the liquidity of the Bank or any other member of the Group or the availability thereof or the requirements of the Bank or any other member of the Group for capital resources;

(q) all information provided by the Bank to its Auditors required for the purposes of their comfort letters in connection with the offering and sale of the Bonds has been supplied, or as the case may be, will be supplied, in good faith and after due and careful enquiry; such information was when supplied and remains (to the extent not subsequently updated by further information supplied to such persons prior to the date hereof), or as the case may be, will be when supplied, true and accurate in all material respects and no further information has been withheld the absence of which might reasonably have affected the contents of any of such letters in any material respect;

(r) the Auditors are independent public accountants with respect to the Group, as required by the Philippine Institute of Certified Public Accountants and the applicable rules and regulations thereof;

(s) save as disclosed in the Offering Circular, all transactions by the Bank with its directors, officers, management, shareholders, or any other person, including persons formerly holding such positions, are on terms that are available from other parties on an arm's-length basis;

(t) each of the Bank and the other members of the Group: (i) has all licenses, franchises, permits, authorizations, approvals, registrations and orders and other concessions that are necessary to own or lease its other properties and conduct its businesses in those jurisdictions in which business is

conducted by it; (ii) is conducting its business and operations in compliance with all applicable laws and regulations in each of the jurisdictions in which it conducts business and operations, including, without limitation, all regulations, guidelines and circulars of the BSP, the SEC, the PSE and the BIR; (iii) has complied with, corrected and successfully and effectively implemented, to the satisfaction of the BSP, all findings and recommendations of the BSP resulting from all past audits and examinations conducted by the BSP on the Bank; and (iv) is otherwise in compliance with all agreements and other instruments to which it is a party, except where any failure to be in compliance with any of which would not qualify as, or result in, an Adverse Effect;

(u) except as specifically described in the Offering Circular, the Bank and the other members of the Group own or possess (or can acquire on reasonable terms), all patents, licenses, inventions, copyrights, know-how, trademarks, service marks, trade names or other intellectual property (collectively, **Intellectual Property**) necessary to carry on the business now operated by them; and neither the Bank nor any other member of the Group has received notice or is otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interests of the Bank or other members of the Group therein; and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would reasonably be expected to result in an Adverse Effect;

(v) except as specifically described in the Offering Circular, there are no pending actions, suits or proceedings against or affecting the Bank or any other member of the Group or any of their properties which, if determined adversely would individually or in the aggregate have an Adverse Effect, or affect the ability of the Bank to perform its obligations under the Contracts or the Bonds, or which are otherwise material in the context of the issue of the Bonds and, to the best of the Bank's knowledge, no such actions, suits or proceedings are threatened or contemplated;

(w) no event has occurred or circumstance arisen which (whether or not with the giving of notice and/or the passage of time and/or the fulfillment of any other requirement) constitutes an event described under "Events of Default" hereunder;

(x) The Bank and the other members of the Group are in compliance with the Anti-Money Laundering Laws of the Philippines in all material respects;

(y) The Bank is Solvent. As used in this paragraph, the term "**Solvent**" means, with respect to a particular date, that on such date: (i) the present fair market value (or present fair saleable value) of the assets of the Bank is not less than the total amount required to pay the liabilities of the Bank on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured; (ii) the Bank is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and commitments as they mature and become due in the normal course of business; (iii) the Bank is not incurring debts or liabilities beyond its ability to pay as such debts and liabilities mature; (iv) the Bank is not engaged in any business or transaction, and does not propose to engage in any business or transaction, for which its property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which

the Bank is engaged; (v) the Bank will be able to meet its obligations under all its outstanding indebtedness as they fall due; and (vi) the Bank is not a defendant in any civil action that would result in a judgment that the Bank is or would become unable to satisfy; and

(z) The approval of PDEx for the listing of the Bonds when issued will be in full force and effect unless applicable laws no longer require listing of the Bonds with an exchange.

These representations and warranties are true and correct as of the date of the Contracts, the Offering Circular, and each Pricing Supplement, and will be true and accurate for as long as the Bonds or any portion thereof remains outstanding, with reference to the facts and circumstances existing from time to time.

21 COVENANTS

The Bank hereby covenants and agrees that during the term of the Bonds and until payment in full and performance of all its obligations under the Bonds, it shall act as follows:

(a) The Bank shall pay all amounts due under the Bonds at the times and in the manner specified in, and perform all its obligations, undertakings, and covenants under the Bonds;

(b) The Bank shall ensure that it will continue to have the legal and juridical personality to maintain the Bonds until Maturity Date or full payment of the claims under the Bonds, whichever is later;

(c) It shall**,** as soon as practicable, make available copies of its audited financial statements, consisting of the balance sheet of the Bank as of the end of its latest fiscal year and statements of income and retained earnings and of the source and application of funds of the Bank for such fiscal year, such audited financial statements being prepared in accordance with generally accepted accounting principles and practices in the Philippines consistently applied and being certified by an independent certified public accountant of recognized standing in the Philippines; and shall, as soon as practicable, upon written request from a Bondholder, furnish such requesting Bondholder such updates and information as may be reasonably requested by a Bondholder pertaining to the business, assets, condition, or operations of the Bank, or affecting the Bank's ability to duly perform and observe its obligations and duties under the Bonds and the Contracts;

(d) It shall, when so requested in writing, provide any and all information reasonably requested by PDEx and Paying Agent and/or Registrar, as the case may be, to enable them to respectively comply with their respective responsibilities and duties under the Governing Regulations, and the Contracts; *Provided,* that, in the event that the Bank cannot, for any reason, provide the required information, the Bank shall immediately advise the party requesting the same and shall perform such acts as may be necessary to provide for alternative information gathering;

(e) The Bank shall promptly advise the Bondholders through the Trustee of: (i) any request by any government agency for any information related to the Bonds; and (ii) the issuance by any governmental agency of any cease-and-desist order suspending the distribution or sale of the Bonds or the initiation of any proceedings for any such purpose and shall use its best efforts to obtain at its sole expense the withdrawal of any order suspending the transactions with respect to the Bonds at the earliest time possible;

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

(g) The Bank shall upon written request of a Bondholder execute and deliver to such Bondholders such reports, documents, and other information relating to the business, properties, condition, or operations, financial or otherwise, of the Bank as a Bondholder may from time to time reasonably require;

(h) The Bank shall, as soon as possible and in any event within five (5) Business Days after the occurrence of any default on any of the obligations of the Bank, or other event which, with the giving of any notice and/or with the lapse of time, would constitute a default under the material agreements of the Bank with any party, including, without limitation the Contracts, serve a written notice to the Bondholders through the Trustee, of the occurrence of any such default, specifying the details and the steps which the Bank is taking or proposes to take for the purpose of curing such default, including the Bank's estimate of the length of time to correct the same;

(i) It will duly and punctually comply with all reporting, filing and similar requirements imposed by the BSP, the SEC and the PSE or in accordance with any applicable Philippine law and regulations from time to time relating to the Bonds and the Contracts;

(j) The Bank shall maintain the services of the Auditors and in any event where the Auditors shall cease to be the external auditor of the Bank for any reason, the Bank shall appoint another reputable, responsible and internationally accredited external auditor;

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

(l) It shall use the net proceeds from the Bonds in accordance with the purpose of issuance provided in the relevant Pricing Supplement;

(m) It shall ensure that there shall at all times be a Registrar and Paying Agent for the purposes of the Bonds, as provided in the Registry and Paying Agency Agreement;

(n) It shall ensure that the Bonds are listed with PDEx unless applicable laws no longer require listing of Bonds with an exchange, and delisting is approved by the Bondholders through a meeting duly called for such purpose, in accordance with these Terms and Conditions.

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

22 EVENTS OF DEFAULT

The Bank shall be considered in default under the Bonds in case any of the following events shall occur:

(a) The Bank fails to pay any principal and/or interest due on the Bonds issued under the Updated Bond Programme within ten (10) calendar days of the due date of payment; provided, that such non-payment shall not constitute an Event of Default if the Bank has confirmed the Payment Instruction Report (as defined in the Registry and Paying Agency Agreement) prepared by the Registrar and Paying Agent and there are sufficient funds standing in the Payment Account (as defined in the Registry and Paying Agency Agreement) on a relevant payment date (a **Payment Default**).

(b) Any representation and warranty of the Bank or any certificate or opinion submitted by the Bank in connection with the issuance of the Bonds is untrue, incorrect, or misleading in any material respect.

(c) The Bank fails to perform or violates its covenants under these Terms and Conditions (other than the payment obligation under paragraph (a) above) or the Contracts, and such failure or violation is not remediable or, if remediable, continues to be unremedied for a period of thirty (30) calendar days from notice to the Bank;

(d) The Bank (i) defaults in the repayment of any amount of principal and premium (if any) or interest, in respect of any contract (other than the Bonds) executed by the Bank with any bank, financial institution or other person, corporation or entity for the payment of borrowed money in an aggregate amount exceeding ₱500,000,000.00 or its equivalent which constitutes an event of default, or with the giving of notice or the passage of time would constitute an event of default, under said contract; or (ii) violates any other term or condition of a contract, law, or regulation, which is irremediable or, if remediable, (x) is not remedied by the Bank within 30 days or is otherwise not contested by the Bank, and (y) results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity;

(e) Any governmental consent, license, approval, authorization, declaration, filing or registration which is granted or required in connection with the Bonds expires or is terminated, revoked or modified and the result thereof is to make the Bank unable to discharge its obligations hereunder or thereunder.

(f) It becomes unlawful for the Bank to perform any of its material obligations under the Bonds;

(g) The government or any competent authority takes any action to suspend the whole or the substantial portion of the operations of the Bank, or condemns, seizes, nationalizes or expropriates (with or without compensation) the Bank or any material portion of its properties or assets.

(h) The Bank becomes insolvent or is unable to pay its debts when due or commits or permits any act of bankruptcy, including: (i) filing of a petition in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors of all or substantially all of its properties; (iv) admission in writing of its inability to pay its debts; or (v) entry of any order or judgment of any court, tribunal, or administrative agency or body confirming the insolvency of the Bank, or approving any reorganization, winding-up, liquidation, or appointment of trustee or receiver of the Bank or a substantial portion of its property or assets (each, an **Insolvency Default**);

(i) Any final and executory judgment, decree, or arbitral award for the sum of money, damages, fine, or penalty in excess of ₱500,000,000.00 or its equivalent in any other currency is entered against the Bank and the enforcement of which is not stayed, and is not paid, discharged, or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree, or award is due under the applicable law or agreement;

(j) Any writ, warrant of attachment or execution, or similar process shall be issued or levied against more than half of the Bank's assets, singly or in the aggregate, and such writ, warrant, execution or similar process shall not be released, vacated, or fully bonded within thirty (30) calendar days after its issue or levy; and

(k) The Bank voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days (Closure Default), except in the case of strikes or lockouts when necessary to prevent business losses, or when due to fortuitous events or *force majeure*, and, provided that, in any such event, there is no Adverse Effect.

23 EFFECTS OF EVENTS OF DEFAULT

The Trustee shall, within thirty (30) days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it unless the same shall have been cured before the giving of such notice; provided that, in the case of Payment Default, as defined under the Events of Default in the Terms and Conditions of the Bonds, the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days (at the expense of the Bank), further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification.

If any one or more of the Events of Default shall have occurred and be continuing after any applicable cure period shall have lapsed without the Bank having cured the default, the Trustee, upon the written direction of the Majority Bondholders whose written instruction/consent/letter shall be verified by the Registrar and by written notice to the Bank, may declare the Bank in default in respect of the Bonds held by such Bondholders, stating the Event of Default relied upon, and require the principal amount of the Bonds held by such Bondholders, and all accrued interests (including default interest, if any) and other charges due thereon, to be immediately due and payable, and forthwith collect said

		outstanding principal, accrued interests (including default interest, if any) and other charges, without prejudice to any other remedies which such Bondholder or the other holders of the Bonds may be entitled. In case of an Event of Default under Condition 22 (a), the Bank shall, in addition to the payment of the unpaid amount of principal and accrued interest, pay default interest at the rate of one percent (1%) per month, which shall accrue after the lapse of the curing period until the same is fully paid. Any money delivered to the Paying Agent by the Bank pursuant to an Event of Default shall be applied by the Paying Agent in the order of preference as follows: *first,* to the pro-rata payment to the Registrar and Paying Agent and to the Trustee of the costs, expenses, fees, and other charges of collection incurred by them respectively without gross negligence or bad faith; to the payment to the Registrar and Paying Agent and to the Trustee of their respective fees, and other outstanding charges due to them; *second,* to the pro-rata payment of all outstanding Interest owing to the Bondholders, including default interest, if any, as specified in this Condition 23, in the order of maturity of such interest; and *third*, to the pro-rata payment of the whole amount then due and unpaid on the Bonds for principal owing to the Bondholders.
24	**WAIVER OF DEFAULT BY THE BONDHOLDERS**	The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may, on behalf of the Bondholders waive any past default, except the events of default defined as a Payment Default, Insolvency Default, or Closure Default, and its consequences. In case of any such waiver, the Bank, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.
25	Taxation	Interest on the Bonds is subject to final withholding tax at a rate between 20% to 25%, as may be subsequently amended by applicable laws. Payments of principal and interest will be made free and clear of any deductions or withholding for or on account of any present or future taxes, duties or charges imposed by or on behalf of republic of the Philippines. If such taxes, duties or charges are imposed, the same shall be for the account of the Bank. Provided, however, that the Bank shall not be liable for: (a) any withholding tax on Interest earned on the Bonds as prescribed under Tax Code. A corporate and institutional investor who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit a tax exemption certificate and other applicable documents; (b) Gross Receipts Tax under Section 121 and 122 of the Tax Code; (c) taxes on the overall income of the relevant Arranger, Selling Agent or Bondholder, whether or not subject to withholding; and (d) Value Added Tax (VAT) under Sections 106 to 108 of the Tax Code. Documentary stamp tax for the primary issue of the Bonds and the execution of the Contracts, if any, shall be for the Bank's account.

26	**CLAIM OF TAX-EXEMPT STATUS OR ENTITLEMENT TO PREFERENTIAL TAX RATE**	Bondholders who are exempt from or not subject to final withholding tax, or who are entitled to preferential tax rate may avail of such exemption or preferential tax rate by submitting the necessary documents. Said Bondholder shall submit the following requirements, in form and substance prescribed by the Bank, to the Registrar through the Selling Agent (together with their completed Application to Purchase) who shall then forward the same to the Registrar: (a) Proof of Tax Exemption or Entitlement to Preferential Tax Rates • For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR; • For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator; • For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax; • For entities claiming tax treaty relief – (a) prior to the first Interest Payment Date: (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder, or if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR; (2) one (1) original of the apostilled/consularized Tax Residency Certificate (**TRC**) duly issued by the foreign tax authority of the country of the residence of the Bondholder, or if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws; (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer; and (4) three (3) originals of the duly notarized, or apostilled/consularized if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of its authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; (b) prior to the payment of subsequent interests due: (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder, or if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR; and (2) one (1) original of the apostilled/consularized TRC duly issued by the foreign tax authority of the country of the residence of the Bondholder, or if the

Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued TRC has already lapsed; and

- Any other document that the Bank or PDTC may require from time to time.

Only the originals should be submitted to the relevant Arranger, Selling Agent, the Bank or the Registrar.

(b) A duly notarized declaration (in the prescribed form) warranting that the Bondholder's tax-exemption certificate or ruling has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Bank and the Registrar and Paying Agent of any suspension or revocation of its tax exemption or treaty privileges and agreeing to indemnify and hold the Bank and Registrar and Paying Agent free and harmless against any claims, actions, suits and liabilities arising from the non-withholding or reduced withholding of the required tax; and

(c) Such other documentary requirements as may be reasonably required by the Bank or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities.

Transfers taking place in the Register of Bondholders after the Bonds are listed on the PDEx may be allowed between taxable and tax-exempt entities and observing the tax exemption of tax-exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC.

A selling or purchasing Bondholder claiming tax-exempt status is required to submit to the Registrar the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar.

Income arising from gains on the sale or disposition of the Bonds will form part of the relevant Bondholders' income and may be subject to tax. Bondholders should consult their own tax advisers on the ownership and disposition of the Bonds, including the applicability of any state, local or foreign tax laws.

The BIR's tax treatment of the fixed rate bonds may vary from the tax treatment described herein. Any adverse tax consequences upon the Bondholder arising from any variance in tax treatment shall be for such Bondholder's sole risk and account.

Moreover, the tax treatment of a Bondholder may vary depending upon such person's particular situation and certain Bondholders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a Bondholder. Bondholders are advised to consult their own tax advisers on the ownership and disposition of the Bonds, including the applicability and effect of any state, local or foreign tax laws.

27	**REDEMPTION FOR CHANGES IN TAX**	If after the Issue Date, (a) payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date, as a result of changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Bank, the Bank may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par or 100% face value plus accrued Interest.
28	**REDEMPTION FOR CHANGES IN LAW OR CIRCUMSTANCE**	If any provision of the Trust Agreement or any of the related documents is or shall become for any reason, invalid, illegal or unenforceable to the extent that it shall become, for any reason, unlawful for the Bank to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Agreement or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Agreement or any other related documents, such event shall be considered as change in law or circumstance (**Change in Law**) in reference to the obligations of the Bank and to the rights and interests of the Bondholders under the Trust Agreement and the Bonds. In the event that the Bank shall invoke the foregoing as a Change in Law, the Bank shall provide the Trustee an opinion of legal counsel confirming the foregoing, such legal counsel being reasonably acceptable to the Trustee. Thereupon, the Trustee, upon notice to the Bank, shall declare the principal amount of the Bonds, including all accrued interest and other chargers thereon, if any, to be immediately due and payable, and upon such declaration, the same shall be immediately due and payable without any pre-payment penalty, notwithstanding anything in the Trust Agreement and other related documents to the contrary.
29	**REPLACEMENT REGISTRY CONFIRMATIONS**	In case any Registry Confirmation shall be mutilated, destroyed, lost or stolen, the Registrar upon receipt of a written request in the form specified by the Registrar, shall cause the reprinting and delivery of the Registry Confirmation to the relevant Bondholder, subject to applicable fees.
30	**CHANGE OF TRUSTEE BY THE BONDHOLDERS**	(a) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor trustee, by the delivery to the Trustee so removed, to the successor trustee and to the Bank of the required evidence under the provisions on Evidence Supporting the Action of the Bondholders in the Terms and Conditions of the Bonds. (b) Any resignation or removal of the Trustee and the appointment of a successor trustee pursuant to any provisions of the Trust Agreement shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in the Trust Agreement; or (ii) effectivity of the resignation notice sent by the Trustee under the Trust Agreement; provided however that, until such successor trustee is qualified and appointed, the resigning Trustee shall continue to discharge its duties and responsibilities solely as custodian of records for turnover to the successor trustee promptly upon the appointment thereof by the Bank; provided finally that, such successor trustee possesses all the qualifications as required by pertinent laws.
31	**REPORTS TO THE BONDHOLDERS**	(a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

1. the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and

2. any action taken by the Trustee in the performance of its duties under the Trust Agreement which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

(b) The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent (10.00%) of the aggregate outstanding principal amount of the Bonds at such time.

(c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

1. Trust Agreement

2. Programme Agreement

3. Registry and Paying Agency Agreement

4. Articles of Incorporation and By-Laws of the Bank

5. Copies of the Bank's most recent audited financial statements; and

6. A copy of the Offering Circular together with any supplement to the Offering Circular.

32 MEETINGS OF THE BONDHOLDERS

A meeting of the Bondholders (or Bondholders in respect of a particular Series or Tranche only) may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds. All meetings shall be held in Makati City.

(a) Notice of Meetings

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

(b) Failure of the Trustee to Call a Meeting

In case at any time, the Bank, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have

mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Bank or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof, and, should the failure be attributable to the neglect or fault of the Trustee, the costs thereof shall be chargeable to the Trustee.

(c) Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) Procedure for Meetings

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

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

(e) Voting Right

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one (1) vote for every One Hundred Thousand Pesos (₱100,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Bank and its legal counsel.

(f) Voting Requirement

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

(g) Role of the Trustee in Meetings of the Bondholders

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

33	**EVIDENCE SUPPORTING THE ACTION OF THE BONDHOLDERS**	Wherever in the Trust Agreement it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.
34	**AMENDMENTS**	The Bank and the Trustee may amend the Terms and Conditions of the Bonds with notice to every Bondholder following the written consent of the Majority Bondholders or a vote of the Majority Bondholders at a meeting called for the purpose. However, without the consent of each Bondholder affected thereby, an amendment may not: (a) reduce the percentage of principal amount of Bonds outstanding that must consent to an amendment or waiver; (b) reduce the rate of or extend the time for payment of interest on the Bonds; (c) reduce the principal of or extend the Maturity Date; (d) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders; (e) reduce the amount payable upon the redemption or repurchase of the Bonds under the Terms and Conditions or change the time at which the Bonds may be redeemed; (f) make the Bonds payable in money other than that stated in the Bonds; (g) subordinate the Bonds to any other obligation of the Bank; (h) amend or modify the Payment, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or (i) make any change or waiver of this Condition. Moreover, the Bank and the Trustee may amend or waive any provisions of the Contracts if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified after such amendment or waiver. It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Bank shall send a notice briefly describing such amendment to the Bondholders. Any amendment of these Terms and Conditions is subject to the Governing Regulations.

35 NOTICES

Any communication shall be given by letter, fax, electronic mail (e-mail) or telephone, and shall be given, in the case of notices to the Bank, to it at:

BDO UNIBANK, INC.
BDO Towers Valero
8741 Paseo de Roxas, Salcedo Village
Makati City, Metro Manila
Philippines

Telephone no.:	(63) 2 8840-7142
E-mail:	reyes.luis@bdo.com.ph
Attention:	Luis S. Reyes, Jr. Executive Vice-President

And in the case of notices to the Registrar and Paying Agent to it at:

PHILIPPINE DEPOSITORY & TRUST CORP.
29/F BDO Equitable Tower
8751 Paseo de Roxas
Makati City, Metro Manila
Philippines

Telephone no.:	(632) 8884-4425
E-mail:	baby_delacruz@pds.com.ph
Attention:	Josephine Dela Cruz Director – Securities Services

Telephone no.:	(632) 8884-4413
E-mail:	peachy.garcia@pds.com.ph
Attention:	Patricia Camille Garcia Registry Officer

in the case of notices to the Trustee, to it at:

DEVELOPMENT BANK OF THE PHILIPPINES
- TRUST BANKING GROUP
3/F DBP Building, Sen Gil J. Puyat Avenue, Makati City

Telephone no.:	(632) 8818-9511 local 3400
Fax no.:	(632) 8893-0942
E-mail:	mfsmagtibay@dbp.ph; tmd@dbp.ph
Attention:	Maria Felicia S. Magtibay Senior Assistant Vice President & Head, Trust Marketing Department

And in the case of notices to the Bondholders, through publication in two (2) newspapers of general circulation in Metro Manila (one of which shall be the Philippine Daily Inquirer) once a week for two (2) consecutive weeks; or any other address to or mode of service by which written notice has been given to the parties in accordance with this Condition.

		Such communications will take effect, in the case of a letter, when delivered or, in the case of fax, when dispatched, provided that any communication by fax shall not take effect until 10:00 a.m. on the immediately succeeding Business Day in the place of the recipient, if such communication is received after 5:00 p.m. on a Business Day or is otherwise received on a day which is not a Business Day. Communications not by letter shall be confirmed by letter but failure to send or receive the letter of confirmation shall not invalidate the original communication.
36	**GOVERNING LAW**	These Terms and Conditions shall be governed by and construed in accordance with the laws of the Republic of the Philippines.
37	**JURISDICTION**	The courts of Makati City are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and these Terms and Conditions and accordingly, any legal action or proceedings arising out of or in connection with the Bonds or these Terms and Conditions (**Proceedings**) may be brought only in such courts. The Bank irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
38	**NON-WAIVER**	The failure of any party at any time or times to require the performance by the other of any provision of the Bonds or these Terms and Conditions shall not affect the right of such party to require the performance of that or any other provisions and the waiver by any party of a breach under these Terms and Conditions shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself or a waiver of any right under these Terms and Conditions. The remedies herein provided are cumulative in nature and not exclusive of any remedies provided by law.
39	**ABILITY TO FILE SUIT**	Nothing herein shall be deemed to create a partnership or collective venture between the Bondholders. Each Bondholder shall be entitled, at its option, to take independent measures with respect to its obligations and rights and privileges under these Terms and Conditions, and it shall not be necessary for the other Bondholders to be joined as a party in any judicial or other proceeding for such purpose.
40	**SEVERABILITY**	If any provision hereunder becomes invalid, illegal or unenforceable under any law, the validity, legality and enforceability of the remaining provisions of these Terms and Conditions shall not be affected or impaired. The parties agree to replace any invalid provision which most closely approximate the intent and effect of the illegal, invalid or enforceable provision.
41	**PRESCRIPTION**	Any action upon the Bonds shall prescribe in ten (10) years from the time the right of action accrues.
42	**WAIVER OF PREFERENCE OR PRIORITY**	In the event that a primary obligation for payment shall arise out of the Contracts, such as to constitute any of the Contracts as a contract for the payment of an indebtedness or a loan, then it is understood and expressly agreed by the parties hereto that the obligation created under such Agreement shall not enjoy any priority, preference or special privileges whatsoever over any indebtedness or obligations of the Bank. Accordingly, whatever priorities or preferences that such Agreement may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippines are hereby absolutely and unconditionally waived and renounced.

DESCRIPTION OF THE BANK

OVERVIEW

The Bank is a universal bank which provides a wide range of corporate and retail banking services. These services include traditional loan and deposit products, as well as treasury, trust and investments, investment banking, private banking, cash management, leasing and finance, remittance, insurance, rural banking, stock brokerage, retail cash cards and credit card services. The Bank is the product of a merger BDO and EPCIB, which took effect on 31 May 2007. As at 31 December 2024, according to the statements of condition submitted by banks to the BSP, the Bank ranked as the number one bank in the Philippines in terms of total resources, gross customer loans, total deposits, capital, and total trust funds under management. The Bank's consolidated total resources were ₱4.9 trillion as at 31 December 2024, while total capital funds stood at ₱577.4 billion.

The Bank's strategic focus is to enhance its position as a leading full-service bank in the Philippines and to continue its focus on growing its business and improving operational efficiency. The Bank's principal markets are currently the top-tier corporate market, the middle-market banking segment (consisting of medium-sized corporations and SMEs and the retail/consumer market. The Bank's customers are based primarily in the Philippines, and include large multinational corporations with local operations. The Bank has experienced significant growth over the last few years arising from offering new products and services and as a result of recent mergers and acquisitions.

As at 31 December 2024, the Bank had a network of 1,791 operating domestic branches (including 569 BDO Network branches) and two full-service branches in Hong Kong and Singapore. As at 31 December 2024, its network includes 14 overseas remittance and representative offices across Asia, North America, and Europe, and 4,922 ATMs, 411 CAMs, and 481 UMs. As at 31 December 2024, the SM Group was the Bank's largest shareholder group, with an effective common equity interest, along with other affiliated companies, of approximately 54.7% of the Bank's issued common shares.

As at 31 December 2024, the Bank had a market capitalisation on the PSE of approximately ₱759 billion. The Bank's consolidated CET 1 ratio, tier 1 CAR, and total CAR were 14.1%, 14.3% and 15.2%, respectively, as at 31 December 2024.

HISTORY

The Bank, formerly known as Acme Savings Bank, was acquired by the SM Group in August 1976. The SM Group is one of the largest conglomerates in the Philippines, with substantial interests in financial services, real estate development, and tourism and entertainment, founded around its core business in commercial centres and retailing.

Until it was granted full universal bank status on 5 August 1996, the Bank's main business was providing traditional loan and deposit banking services to the middle-market segment, including corporate suppliers of ShoeMart, Inc., a large department store chain operated by the SM Group. Since then, the Bank has shifted its focus from servicing the suppliers, tenants and other merchants that do business with the SM Group (generally referred to as the SM Network), to expanding and diversifying its client base by offering a full range of commercial banking products and services. At the same time, the Bank believes that its relationship with the SM Group has been, and will continue to be, a valuable resource in expanding its customer base to large corporate clients and retail customers.

Mergers and Acquisitions

The Bank has grown through a series of mergers and acquisitions as follows:

- On 15 June 2001, the Bank merged with Dao Heng Bank Philippines, Inc. (**DHBI**) and acquired DHBI's existing customers and 15 branch licenses
- In October 2002, the Bank assumed First e-Bank Corporation's ₱10 billion of deposits and other liabilities in exchange for certain assets including 60 branch licenses On 29 August 2003, the Bank acquired Banco

Santander Philippines, Inc. (**BSPI**) while BDO Capital acquired Santander Investment Securities Philippines, Inc. from Santander Central Hispano, S.A. BSPI was renamed BDO Private Bank, Inc. (**BDO Private Bank**) and provided the Bank with an immediate presence in the private banking sector.

- On 19 December 2005, the Bank acquired United Overseas Bank Philippines' (**UOBP**) branch banking business and obtained 66 branch licenses.
- On 31 May 2007, the Bank merged with EPCIB with the Bank as the surviving entity. The merged bank was renamed Banco de Oro – EPCI, Inc. and on 6 February 2008, the Philippine SEC approved the change of name to Banco de Oro Unibank, Inc.
- On 30 October 2007, the Bank acquired American Express Bank Philippines, Inc. (**AEBP**), gaining access to American Express Philippines' U.S. dollar and Peso credit card portfolios as well as the consumer banking services of American Express.
- On 24 August 2009, the Bank purchased 98.81% of the issued and outstanding common shares and 100% of the preferred capital stock of GE Money Bank (**GEMB**), thereby consolidating GEMB's business including 31 branch licenses into the Bank. GEMB was retained as a separate legal entity and adopted the name BDO Elite Savings Bank, Inc. when it amended its Articles of Incorporation with the Philippine SEC on 12 August 2010.
- In July 2012, the Bank completed its acquisition of the banking business of the Rural Bank of San Juan, a rural bank with 30 additional branch licenses.
- On 25 March 2014, the Bank completed the acquisition of Citibank Savings, Inc., a savings bank with ten active branches and whose branches were converted on 24 August 2014.
- On 2 June 2014, the Bank acquired the trust business of Deutsche Bank AG's Manila branch comprising trust, fiduciary and investment management activities.
- On 8 August 2014, the Bank acquired the banking business of The Real Bank (A Thrift Bank), Inc., a thrift bank with a deposit base of ₱6.9 billion and 24 branches operating in Metro Manila and Luzon, to transfer the latter's assets and liabilities to the Bank.
- On 20 July 2015, the Bank successfully completed its acquisition of ONB. On 31 July 2019, the Philippine SEC approved the resolution changing the corporate name of ONB to BDO Network.
- On 30 June 2016, the Bank secured final regulatory approval to acquire full interest in GPHC the parent firm of life insurer Generali Assurance and non-life insurer Generali Insurance. Effective as at 1 July 2016, the operations of Generali Assurance were reorganized, and GPHC and Generali Assurance were renamed BDO Life Assurance Holdings Corp., and BDO Life, respectively.
- On 31 October 2019, BDO Network completed its purchase of the recorded gross loan receivables and assumption of the recorded deposit liabilities of the RBPI.

Recent Offers and Capital Raising Transactions

On 16 May 2022, the Bank disclosed that it has issued its U.S. $100 million maiden Blue Bond, through an investment from the IFC, for waste and wastewater management projects to address water scarcity and ocean pollution in the Philippines.

On 29 January 2024, the Bank issued ₱63.3 billion of fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.0% per annum and will mature on 29 July 2025.

On 24 July 2024, the Bank issued ₱55.7 billion of fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.3% per annum and will mature on 24 January 2026.

Other Recent Developments

On 28 January 2020, the Bank announced that it had entered into an agreement to sell a controlling stake in its publicly listed subsidiary, BDOLF, with the completion of the transaction subject to closing conditions. On 21 October 2020, BDOLF reported that it transferred 27.02% of its assets to BDOFC. The transfer of assets is part of the restructuring of the Bank's leasing business in order to optimize the financial needs of clients in light of new accounting regulations covering lease transactions. IFRS 16, which took effect on January 2019, requires leases to be recognized on-balance sheet, similar to a loan facility, which makes lease transactions a less attractive option to corporate borrowers compared to the previous arrangement. Under the restructuring, the Bank incorporated a new, privately held company BDOFC to provide customers continuing access to lease products and services. However, on 24 January 2021, the Bank's agreement for the sale of controlling stake in BDOLF lapsed due to the non-completion of certain closing conditions that were a pre-requisite to the sale

transaction. The parties thereafter agreed to terminate the agreement. BDOLF (renamed Dominion Holdings, Inc.) remains a listed holding company of the Bank. On 7 March 2022, the Bank further disclosed that it is now contemplating keeping BDOLF, repurposed as a holding company, for its own investment purpose or, depending on the terms of outstanding offers, pursue the sale of its shares with other prospective buyers.

On 26 November 2020, the Bank announced the completion of the buyout of Nomura's ownership in BDO Nomura following an announcement last 23 June 2020 terminating their joint venture arrangement. BDO Capital acquired Nomura's 49% stake in BDO Nomura. BDO Nomura was merged with BDO Securities with the latter as the surviving entity. BDO Securities was reorganized into a full-service brokerage firm with an expanded product offering to include non-equity securities.

On 11 December 2021, there were reports of unauthorized transactions in certain BDO accounts. The Bank immediately responded to the fraud incident by implementing additional security controls to block further attempts from fraudsters and protect clients' bank credentials. At the same time, the Bank began processing the reimbursement of affected clients. On 20 May 2022, the Bank disclosed that the related examination by the BSP has been completed and that there are no monetary sanctions imposed by the BSP on this matter.

On 26 March 2022 and 24 September 2022, the Bank's Board of Directors approved the additional equity investment in BDO Network via the subscription of common shares of up to ₱1.7 billion and ₱4.25 billion, respectively, with the latter to be infused in tranches depending on the business need of BDO Network. The subscriptions amounting to ₱1.7 billion, ₱2.55 billion and ₱1.49 billion were paid in August 2022, October 2022, and June 2024, respectively. The capital infusion was made to support BDO Network's business expansion.

On 25 March 2023, the Bank's Board approved the purchase of the entire equity interest of the Keppel Group in TPCI. In view of Keppel's decision to divest its investment in TPCI, the Bank, as Keppel's joint venture partner in TCPI, agreed to buy out Keppel's 50% direct equity ownership in TPCI. In the fourth quarter of 2024, the Philippine SEC and the BSP approved the merger between the Bank and TPCI with the Bank as the surviving entity. The merger became effective on 1 December 2024.

COMPETITIVE STRENGTHS

The Bank believes it has the following competitive advantages in relation to its competitors:

Leading brand name and banking franchise in the Philippines

The Bank believes that its combination of scale, reach, business mix, product offerings and brand recognition has made it a leading financial institution in the Philippines. According to statements of condition submitted by banks to the BSP, as at 31 December 2024, the Bank is the Philippines' largest bank in terms of total resources, customer loans, deposits, capital and trust assets. In addition, the Bank has one of the widest domestic branch networks in the Philippines, with 1,791 operating domestic branches (including 569 BDO Network branches) spanning all major cities across the country as at 31 December 2024. The Bank believes that all of these factors have helped to develop the BDO brand, which covers the Bank's entire range of banking products and financial services under a single brand name, as one of the most well-known in the domestic market. The Bank's premier branding and market dominance are also reflected in leading market shares across most business segments including corporate banking, retail banking, private banking, investment banking, rural banking, remittances and credit cards. The Bank believes that its scale of operations and brand recognition support the continued growth and diversification of its business, network and product mix.

Diversified business model providing full-service operations

The Bank is a full-service universal bank offering a host of industry-leading banking products and services to serve the retail and corporate markets, including lending products (such as loan products tailored to corporate, middle market, SMEs and consumer loans), deposit products, foreign exchange, brokering, trust and investments, credit cards, cash management and remittances, among others. Through its subsidiaries, the Bank also offers leasing and financing, investment banking, private banking, bancassurance, insurance brokerage and stock brokerage services. See "– Subsidiaries and Affiliates". The Bank believes that its diversified business model with products and services catering to the changing needs of Filipino customers has provided it with a sustainable and diversified earnings stream, mainly comprising core interest income from lending activities, as

well as growing non-interest income from service-based products. The Bank has implemented plans and strategies, such as the consolidation of BDO Life in 2016, increasing capabilities in wealth management, and leveraging its distribution network to cross-sell fee income generating products, which the Bank believes will increase the contribution of recurring fee income to its overall operating income. For the year ended 31 December 2024, the Bank's other operating income, mainly comprising non-interest income, increased by 8.4% to ₱77.7 billion from ₱71.7 billion in the year ended 31 December 2023. Moreover, the Bank believes that it has built a stable earnings base, wherein approximately 96.5% of its income is from recurring sources for the year ended 31 December 2024, rendering it less susceptible to market and industry volatility.

Customer-centric culture complemented by strategic distribution platform

The Bank believes it has instilled a "customer-centric culture" across its branches and personnel, embodied in its "We Find Ways" philosophy which it believes has elevated the customer convenience it offers to a higher level. For example, the Bank is the first Philippine bank to offer weekend operating schedules and all of its branches operate on extended banking hours.

To efficiently serve its customers, the Bank's branch network stretches to cover all major cities in the Philippines, with the Bank often establishing multiple branches in general areas it has identified to have greater potential for business. The Bank believes that this extensive domestic distribution network, including strategic locations within SM malls and other high-customer traffic areas, allows it to have wide service coverage and geographic reach, as well as greater accessibility to its customers. As at 31 December 2024, the Bank had a network of 1,791 operating domestic branches (including 569 BDO Network branches) and two full-service branches in Hong Kong and Singapore. As at 31 December 2024, its network includes 14 overseas remittance and representative offices across Asia, North America, and Europe, and 4,922 ATMs, 411 CAMs, and 481 UMs. The Bank has also entered into numerous business arrangements with correspondent banks, designated agents and other joint venture and business partners worldwide.

As a result of these, the Bank believes its branches have one of the highest ratios of deposits per branch in the Philippines, enabling the Bank to rapidly expand its low-cost deposit base. Its low-cost deposit base (comprising demand and savings (CASA) deposits) increased from ₱2.6 trillion as at 31 December 2023 to ₱2.7 trillion as at 31 December 2024, representing a year-on-year growth of 6.1%. As at 31 December 2022, its CASA deposit base was at ₱2.5 trillion. As at 31 December 2022, 2023, and 2024, 78.8%, 71.6%, and 71.5%, respectively, of the Bank's total deposit base comprised CASA deposits. In addition, the Bank also believes that its branch network and premier customer service have allowed it to actively utilise its branches to expand its loan portfolio and transform its non-interest income franchise, mainly through aggressive cross-selling of loan and other fee income-related products and customer referrals across branches. The Bank believes that these endeavors will increase the ratio of recurring fee income to the Bank's overall operating income and reduce the Bank's reliance on trading and foreign exchange-related gains.

Scalable infrastructure platform for sustained growth

The Bank believes it has established a solid and scalable operating platform that allows it to implement its growth and expansion objectives. The Bank has achieved this mainly by making key investments in bank premises to support its expanding branch network, enhancing its business development capability, as well as upgrading its operations, processes, and IT applications to accommodate growing business volumes and changing market demands. In addition, the Bank has pursued a digital banking (online and mobile) strategy and offerings to create new digital revenue opportunities to improve the Bank's operating performance and enhance user experience. The Bank believes that these initiatives make it well-placed to efficiently implement its continued goals of further large-scale expansion, business diversification and efficiency of service delivery.

Strong and experienced management team

The Bank believes it has assembled a strong management team, with significant experience and proven track records in Philippine banking. The Bank's senior executive officers (comprising officers from the senior vice-president level and above who head business or support groups) have an average of over 20 years of experience in the banking and financial services sectors, primarily with certain of the Philippines' largest and most well-known banks. In addition, the Bank's executives and officers have a broad range of experience in their respective areas at banking and finance, with certain executives and officers gaining international banking experience with

some of the leading global financial institutions. The Bank believes that its management team has successfully and continually improved the Bank's operating and business fundamentals, contributing substantially to the Bank's organic and acquisitive growth and expansion, and provides the Bank with a significant competitive advantage.

Synergies with controlling shareholder group

The Bank believes it has and continues to leverage its position as the main banking arm of the SM Group, which is the Philippines' largest retail conglomerate and mall operator. As a result of this relationship, the Bank enjoys synergies with the SM Group, such as new business opportunities for joint project development, origination of mortgage products through referrals from residential real estate projects, cross-selling of products to customers and shared marketing networks, knowledge and expertise with respect to key economic sectors and business industries such as retail, middle market and real estate, and strategic locations of the Bank's branches and ATMs in SM Group malls located across the Philippines. The Bank also believes that its business segments and product lines effectively support the business objectives of other SM Group companies in the areas at loans, other types of financing and portfolio investments.

BUSINESS STRATEGIES

The Bank continues to build on its strong business franchise to maintain leadership positions across most business lines, as well as further strengthen its capabilities to support future growth and actively respond to strategic opportunities and market challenges. Over the long-term, the Bank aims to be the preferred bank in every market it serves and create shareholder value through superior returns. The key elements of the Bank's strategy are as follows:

Diversified and sustainable earnings stream

The Bank seeks to continue to grow its diversified and sustainable earnings stream generated from its core lending and deposit-generating activities, accrual and trading income from its investment portfolio and fee income from service-based businesses.

The Bank intends to continue to pursue focused loan growth to achieve a more balanced loan portfolio and more effectively manage its concentration risk. While the Bank believes it already maintains a diversified loan portfolio across various market segments, it intends to increase lending to the more profitable and growing consumer and middle-market segments. The Bank also expects to continue to leverage operating synergies with the SM Group to further diversify its earnings stream through product origination capabilities and fee-generating sources. In addition, to minimise the volatility of the Bank's income sources, the Bank has gradually built its non-interest earnings by generating increased income from its fee-generating services including, among others, asset/wealth management, electronic banking, insurance, credit cards and investment banking. The Bank also seeks to more efficiently manage its resources, such as its securities portfolio, to maximise both accrual and trading income.

Continue to expand distribution network to improve access to customers and reduce funding costs

The Bank plans to continue to build its branch network across the Philippines, to further improve access to its customers and more efficiently serve their needs. Through its expanding branch network, the Bank intends to drive lending and deposit taking initiatives, particularly in provincial areas, through its offerings of one-stop banking services where customers can avail of a host of lending, deposit, investment products, and other financial services including access to a wide range of loan products, foreign exchange, insurance and trust services, in addition to more traditional deposit services. The Bank believes that its continuous expansion, acquisitions, and integration of newly acquired entities have and will continue to develop into operating leverage that will help the Bank grow faster, while keeping the growth of its operating expenses at a slower pace.

Prudent balance sheet management

The Bank intends to continue to implement a prudent and effective risk management culture while also seeking to maintain a strong capital position, high asset quality and a healthy balance sheet. The Bank has adopted and continues to adopt a conservative provisioning strategy even as its asset quality has remained stable despite steady loan growth. The Bank believes this approach will insulate the Bank against any downturns in the financial sector or in the domestic or global economies, and will maintain the Bank's robust asset quality metrics compared

to the wider Philippine banking sector. In addition, the Bank intends to actively reduce its non-performing assets through various methods that include retail sales and joint property development, strengthening of its broker / employee network, and attractive payment and pricing terms.

Further develop operating systems, branch infrastructure and advertising efforts

The Bank has made, and intends to continue to make, strategic investments in increasing productive capacity to maintain its strong and modern operating infrastructure, allowing the Bank to accommodate future growth, ensure business continuity and enhance efficiency. The Bank expects these investments to generally be in the areas at office and network expansion, IT, operations and risk management. In addition, the Bank intends to continue improving its digital strategy and enhance its digital, online and mobile banking capabilities and digital offering to customers, in response to the growing impact of independent financial technology firms globally. The Bank also expects to continue to invest in analytics and big data to further enhance its cross-selling efforts.

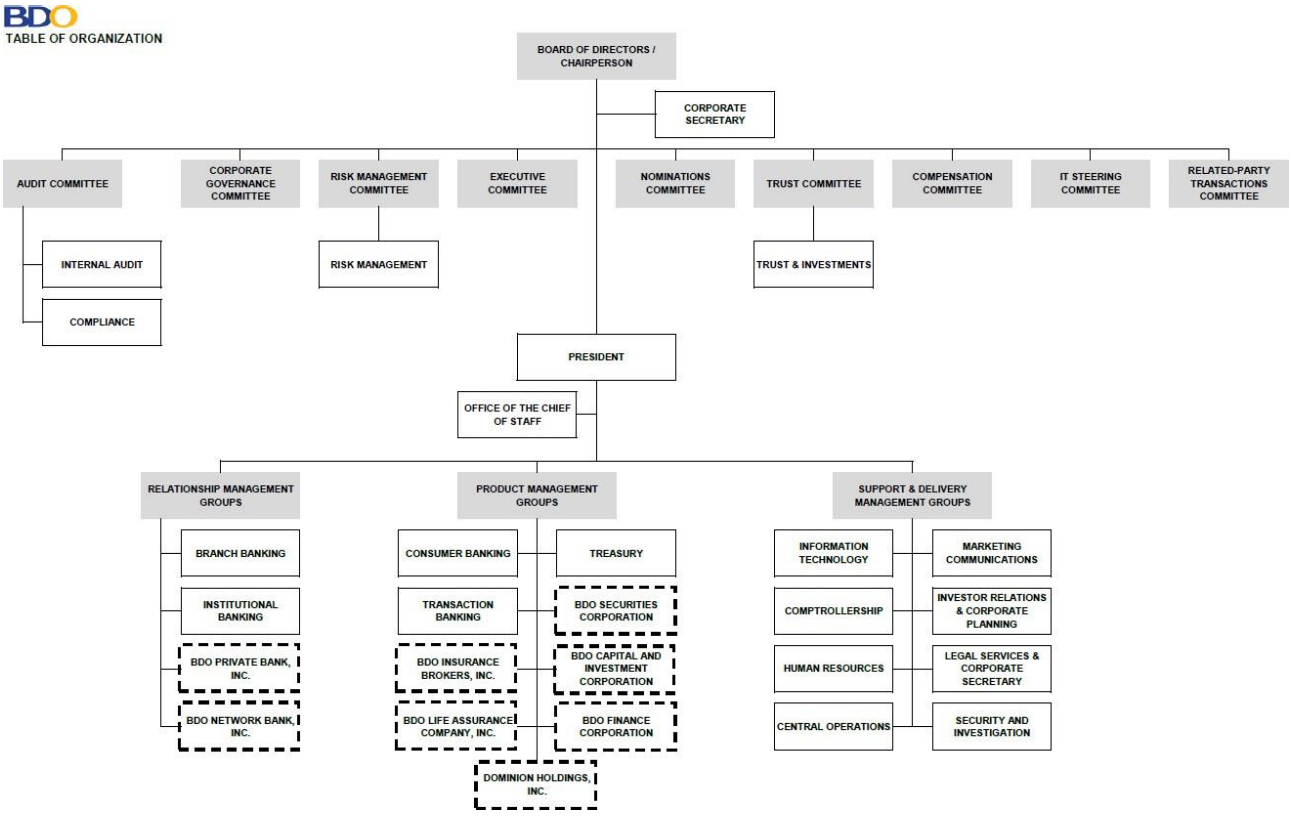
The Bank also intends to maintain its extensive branding campaign to further create customer awareness and market visibility, thus enhancing the potential of its extensive distribution platform across varying media outlets. Accordingly, the Bank intends to implement continuing branch renovations and modernisation upgrades to corporate offices consistent with the Bank's enhanced image and branding.

Complement organic growth with mergers/acquisitions

To complement its organic growth and branch expansion, the Bank intends to consider opportunities for strategic mergers and acquisitions as they arise to further expand its market coverage and tap emerging and potential businesses. The Bank will evaluate potential acquisitions on an opportunistic basis as an alternative means of expanding its coverage and product offering.

ORGANIZATIONAL STRUCTURE

The following chart sets forth the Bank's simplified corporate structure, organised by its principal activities as at 31 December 2024.



BUSINESS OF THE BANK

The Bank is organized into three main groups: relationship management (**Relationship Management**), product management (**Product Management**), and support and delivery management (**Support and Delivery Management**). Members of each business group work together to provide the Bank's customers with a full suite of services. The Bank believes that giving its larger customers multiple points of contact within the Bank enhances its ability to respond promptly and appropriately to its customer demands and also allows the Bank to institutionalize its more important customer relationships. The following is a description of each of the Bank's business groups and their respective services.

Relationship Management

Relationship Management is responsible for managing client relationships and expanding clients' businesses with the Bank. Included in this group are institutional banking, covering large corporations, financial institutions, middle-market, small business accounts and structured trade finance (**Institutional Banking**), branch banking, covering the domestic branch network as well as overseas branch operations (**Branch Banking**), private banking through BDO Private Bank (**Private Banking**), and rural banking through BDO Network (**Rural Banking**).

Institutional Banking

The Bank's principal lending business activities are undertaken by the Institutional Banking group (**Institutional Banking Group**), which is responsible for managing relationships with clients and servicing their loans and other banking requirements. The Institutional Banking Group has the primary responsibility of managing the corporate loan portfolio of the Bank, which accounts for approximately 74.6% the total loan book as at 31 December 2024, and amounted to ₱2.0 trillion, ₱2.2 trillion and ₱2.4 trillion as at 31 December 2022, 2023 and 2024, respectively.

A table of the Institutional Banking Group's loans by customer type appears below.

	As at 3l December		
	2022	**2023**	**2024**
		(**audited**)	
		(**in ₱ millions**)	
Institutional Banking Loans by Customer Type			
Corporate	**1,341,409**	**1,445,882**	**1,631,145**
Corporate	1,295,203	1,389,298	1,562,137
Financial Institutions	13,183	26,070	22,482
Wholesale/International Desks	33,023	30,514	46,526
Commercial	673,491	724,439	806,538
Total	**2,014,900**	**2,170,321**	**2,437,683**

The Institutional Banking Group provides a wide range of products and services to its customers, including term loans, revolving credit lines, foreign currency loans, infrastructure loans, and trade finance.

The Institutional Banking Group is composed of Corporate Banking (**Corbank**) which manages relationships with large corporates, financial institutions and foreign companies, and Commercial Banking (**Combank**) which is focused on the middle-market segment.

Corporate Banking

Corbank services the largest corporate and financial institutions in the Philippines. Most of Corbank's corporate clients are based in the Philippines and are engaged in the manufacturing, financial services, wholesale and retail trade or real estate sectors, including several large multinational corporate clients.

Corbank provides a wide range of products and services to its customers, including term loans, revolving credit lines, foreign currency loans, infrastructure loans, trade finance, and other cash management products and services. Corbank also offers omnibus credit lines for its large corporate customers, allowing customers to draw on such credit lines in the form of a short-term loan or to utilise for trade financing or other forms of credit.

As at 31 December 2022, 2023 and 2024, accounts of large corporate customers represented approximately 66.6%, 66.6% and 66.9%, respectively, of the Bank's total loan portfolio. Corporate lending are mostly for project finance, acquisition-financing, corporate finance and working capital.

Commercial Banking

Combank primarily serves the middle-market companies which are among the next 5,000 largest in the Philippines in terms of revenues, as well as SMEs. Most of the Bank's commercial customers are engaged in the manufacturing, retail and trade sectors.

As at 31 December 2022, 2023 and 2024, Combank's lending to the middle-market segment accounted for approximately 33.4%, 33.4% and 33.1%, respectively, of the Bank's total loan portfolio.

Financial Institutions

Through Financial Institutions, the Bank offers correspondent banking services to its financial institutions clients through a wide network of international correspondent banks. These correspondent banking functions include facilitating documentary credits, offering inter-bank credit facilities and managing Philippine fund transfers processes. Corbank's correspondent banking unit is also able to undertake credit evaluation of proposed counterparties, market the Bank's products to financial institution clients and assess the benefits of various product proposals from correspondent providers.

Cross Border and International Desks

The Bank's Cross Border and International Desks (**CBID**) business was organised to capitalise on opportunities present in the growing regional and global financing arena. It develops relationships with Japanese, Mainland Chinese, Taiwanese, Singaporean, Korean and other Asian companies, as well as North American and European commercial interests in the Philippines. Services include project and trade finance, factoring, leasing, cash management, trust, investment advisory, foreign exchange, insurance, and other ancillary services.
CBID provides cross-border finance supported by export credit agencies, rated export-import banks and other foreign banks from member countries of the Organisation for Economic Development and Cooperation, and multilateral organisations. CBID provides its eligible clientele wholesale funds available from Government Financial Institutions for specialised financing purposes.

Branch Banking

The Bank's branch network is the primary means of offering deposit services to customers, including CASA and time deposits in Pesos, U.S. dollars and other foreign currencies. The Bank's principal depositors are individuals in the Philippines. As at 31 December 2022, 2023 and 2024, total deposits were ₱3.2 trillion, ₱3.6 trillion and ₱3.8 trillion, respectively, with Peso deposits representing approximately 84.3%, 86.4% and 87.5%, respectively, of the Bank's deposits and the remainder denominated in foreign currencies, principally U.S. dollars. As at 31 December 2024, the Bank had approximately 18.8 million deposit accounts. As at 31 December 2024, the Bank's branch network comprised of 1,791 domestic branches (including 569 BDO Network branches) and two foreign branches. Each of the Bank's branches is connected and networked to the Bank's IT systems and infrastructure and offers full banking services. The Bank is the first bank in the Philippines to offer extended hours of operations at all of its branches, including weekend hours. The Bank believes its longer banking hours allow it to meet the banking needs of its customers more efficiently.

The Bank provides 24-hour banking services through its 4,922 ATMs facilities which are located in branches and at off-site locations, such as shopping malls, 411 CAMs, and 481 UMs as of 31 December 2024. Customers are given access to the ATM facilities through BDO International ATM cards, which are issued to check and savings account holders. The Bank is a member of the Expressnet and Megalink ATM consortia, allowing customers to

use ATM terminals operated by other banks in the consortia. Clients can also use ATM terminals worldwide that are part of the Cirrus-Maestro network. Branch Banking manages the entire branch network of the Bank. Branch Banking monitors each branch's profitability, and each branch accounts for its own expenses and revenues. Each branch is subject to monthly spot audits, as well as a more comprehensive annual audit. Each of the Bank's branches has electronic security systems and armed guards. All of these services are provided by independent contractors. The Bank also ensures that the amount of cash held in the vaults of its branches is maintained within authorised limits. The Bank continues to maintain adequate insurance coverage for loss and theft.

The Bank was recognised as the Best Bank in the Philippines for 2022-2024 by the Alpha Southeast Asia, Best Bank in the Philippines for 2019-2024 by the Global Finance, Best Bank in the Philippines for 2023-2024 by Finance Asia, and the Best Bank in the Philippines for 2024 by Euromoney. Additionally, it was recognised as the Most Selected Retail Bank in the Philippines and 3rd in Asia for 2022 by The Asian Banker and Best Managed Bank in the Philippines for 2022 by The Asian Banker.

Foreign Branch Operations

The Bank has a full-service branch in Hong Kong that caters to the needs of the overseas Filipinos and the local community. It currently offers deposit products, credit line, term loans and trade-related services for Philippine companies doing business with Hong Kong- and mainland China-based companies. The branch plans to expand its services by providing private banking services to Filipino high net worth individuals, cross-border retail services to Philippine executives in Hong Kong and servicing the deposit needs of the Fujian community.

The Bank also has a full-service branch in Singapore that connects business and retail communities based in Singapore to the Bank's extensive network and banking expertise in the Philippines, thus allowing fast and easy cross-border transactions for target clients as well as Singapore and Philippine corporates. The branch accepts Singapore Dollar- and US Dollar-denominated deposits, and also offers commercial loans and revolving credit lines. The branch allows customers to manage their accounts, remotely and at all times, through its online banking and mobile banking services.

Private Banking

The Bank provides investment, financial, and estate advisory services to a niche market of high net worth individuals, as well as corporate and institutional clients through its wholly-owned subsidiary, BDO Private Bank. BDO Private Bank 's open architecture platform allows it to provide bespoke or custom-made structures to address clients' specific financial needs.

As at 31 December 2022, 2023 and 2024, BDO Private Bank had ₱37.2 billion, ₱30.5 billion and ₱33.2 billion in total resources, respectively. BDO Private Bank's total assets under management as at 31 December 2022, 2023 and 2024 were at ₱569.2 billion, ₱593.3 billion and ₱637.2 billion, respectively.

As a testament to its pioneering spirit and strength in the domestic private banking market in terms of market share, performance and recognition, BDO Private Bank's recent awards include: Philippines' Best Domestic Private Bank for 2024 by Euromoney Global Private Bank Awards, Best Private Wealth Management Bank in the Philippines for 2024 by Alpha Southeast Asia (awardee since 2008), Philippines' Private Bank of the Year for 2023-2024 by Asian Banking & Finance Retail Banking Awards), Best Private Bank in the Philippines for 2015-2023 by Global Finance Best Private Banks, Best Digital Private Bank in the Philippines for 2022-2023 by Asiamoney Private Banking Awards, Best Private Bank in the Philippines for 2010-2023 by The Asset Triple A Private Capital Awards, and Best for Family Office Services in the Philippines for 2023 by Asiamoney Private Banking Awards.

Rural Banking

Through its rural bank subsidiary, BDO Network, the Bank offers financial products and services including salary loans, deposits, cash management, remittances and bills payments to the unbanked and underserved segments in provincial areas. In 2018, BDO Network successfully implemented its micro, small and medium roll-out of over 100 sites throughout the Philippines to increase coverage of its target market. As at 31 December 2024, BDO Network had a network of 569 branches and banking offices across the Philippines. BDO Network's total assets

were ₱87.2 billion, ₱108.0 billion and ₱124.1 billion as at 31 December 2022, 2023 and 2024, respectively, while total capital funds stood at ₱11.5 billion, ₱12.8 billion and ₱15.7 billion, respectively.

In October 2018, the Bank announced that it entered into an agreement with Osmanthus Investment Holdings Pte. Ltd. (Singapore) (Osmanthus) in relation to Osmanthus's acquisition of a 15% stake in ONB, and the transaction was completed on 16 May 2019. The Bank believes that its partnership with Osmanthus will further strengthen BDO Network's strategic foothold in the microfinance business and contribute to the government's efforts at improving financial inclusion. On 26 March 2022 and 24 September 2022, the Bank's Board of Directors approved the additional equity investment in BDO Network via the subscription of common shares of up to ₱1.7 billion and ₱4.25 billion, respectively, with the latter to be infused in tranches depending on the business need of BDO Network. The subscriptions amounting to ₱1.7 billion, ₱2.55 billion and ₱1.49 billion were paid in August 2022, October 2022 and June 2024, respectively. The capital infusion was made to support BDO Network's business expansion.

On 11 February 2019, the Bank disclosed BDO Network signed an agreement with RBPI for the acquisition of RBPI's banking business in Bulacan. On 31 October 2019, BDO Network completed its purchase of the recorded gross loan receivables and assumption of the recorded deposit liabilities of RBPI.

On 30 June 2021, the board of directors of BDO Network approved the conversion of the bank from a rural bank to a savings bank. This was ratified by BDO Network's shareholders on 13 August 2021 and approved by the BSP on 27 January 2022. Philippine SEC approval was obtained on 27 December 2024 and the BSP issued the Certificate of Authority to operate as a thrift bank on 5 February 2025.

Product Management

Product Management is responsible for managing the different product businesses offered to clients. Product Management is composed of consumer banking, which is responsible for consumer products and services including the Bank's credit card business; treasury; transaction banking, covering cash management, electronic payments and settlements, and remittances; investment banking; trusts and investments; leasing and finance; life insurance; insurance and reinsurance brokerage; and traditional and online securities brokerage.

Consumer Lending

The Bank offers an expanded range of consumer finance products, including residential mortgages, auto loans, personal loans and credit card services. As at 31 December 2022, 2023 and 2024, consumer-related loans comprised approximately 22.8%, 23.8% and 24.4%, respectively, of the Bank's total loans.

A table showing the Bank's consumer loans by main type is found below.

	As at 3l December		
	2022	**2023**	**2024**
		(**audited**) (**in ₱ millions**)	
Consumer Loans by Type			
Credit Cards	127,921	162,047	215,382
Real Estate	295,461	314,065	334,310
Auto Loans	80,953	90,682	103,304
Personal Loans	61,717	78,151	92,627
Business Loans	25,869	29,540	37,443
Employee Loans	3,714	3,992	4,482
Total	**595,635**	**678,477**	**787,548**

Credit Cards

The Bank initially operated its credit card business through a subsidiary, BDO Card Corporation. During the merger with EPCIB in 2007, BDO also acquired Equitable Card Network (**ECN**), which was EPCIB's vehicle for its card business. The acquisition of the ECN portfolio added strategic value to the Bank's existing credit card

business. Aside from its significant number of cardholders, the ECN portfolio provided an extensive merchant base, the largest credit card merchant acquirer in the Philippines. The acquisition of the American Express Bank Philippines, Inc.'s U.S. dollar and Peso card portfolios in 2007 further strengthened its position in the credit card market. The consolidation of these businesses has led to enhanced efficiency, substantial synergies and cost savings and has contributed significantly to the Bank's strategic goal of expanding its share of the consumer lending market.

The Bank's credit card business remains the industry's leading card issuer and largest merchant acquirer. As at 31 December 2022, 2023 and 2024, the Bank had combined cards-in-force of 2.7 million, 3.5 million, and 3.8 million, respectively, and had a receivable portfolio of ₱127.9 billion, ₱162.0 billion and ₱215.4 billion, respectively.

The Bank currently offers American Express Blue, Cash Card and Express cards; Visa Classic, Gold and Platinum cards; JCB Lucky Cat, Gold and Platinum cards; Union Pay Gold and Diamond; and, Mastercard Shopmore. Due to increased competition in the market, annual fees are often waived for the first year for new credit cardholders.

Real Estate

The Bank offers home mortgage loans to individuals for home acquisition, construction, improvement and refinancing of their property. Consumer lending tailors loan terms, which offer customers competitive rates and more flexibility regarding their repayments. Home mortgage loans have maturities of up to 20 years. These are typically payable in monthly amortisations with interest rates that are repriced periodically based on prevailing market rates, although borrowers also have fixed rate options.

End-buyer tie-ups with reputable real estate developers largely contributed to the Bank's total home mortgage loan portfolio of ₱295.5 billion, ₱314.1 billion and ₱334.3 billion, respectively, as at 31 December 2022, 2023 and 2024, respectively. Through these tie-ups, the Bank also purchases home loan receivables and wholesale real estate portfolios via its Contract to Sell (**CTS**) Receivables Financing Program from developers that indirectly finance sales to their buyers. These loans usually provide full recourse to the developer. These CTS transactions may be converted into regular end-buyer financing by the Bank upon loan application approval by the Bank. All of the Bank's home mortgage loans are secured by a first ranking legal charge over the property. In the case of loans to certain corporate borrowers, the Bank often requires personal guarantees to be given by appropriate officers of the borrower as additional security. Traditionally, the Bank, as well as other lenders, have required home mortgage borrowers to have an equity interest equal to at least 30.0% of the value of the property. Due to an increase in competition in the mortgage industry, however, many borrowers are now able to secure mortgages for certain types of residential property from lenders, including the Bank, with a 20.0% down payment.

When a borrower falls in arrears with its mortgage payments, it can either agree to a voluntary disposition of the property to the Bank or the Bank may commence foreclosure proceedings. It generally takes between six and 12 months to foreclose mortgaged collateral, which is then typically sold by public auction or through brokers on behalf of the Bank. However, the individual mortgagor or any of its creditors having a lien over the collateral continues to have the right to repurchase such collateral within one year of completing foreclosure in return for payment of principal and interest owed plus the Bank's out-of-pocket expenses.

Auto Loans

The Bank provides auto financing to individuals for the acquisition of mainly new cars, buses and other types of vehicles. The Bank's retail auto loans are typically between ₱700,000 and ₱1.0 million and for 12- to 60-month terms, with the average tenor being three years. The applicable interest rate is generally fixed with amortising repayment schedules over the term of the loan.

Continued strategic partnerships with auto dealers remain a competitive advantage of the Bank. As at 31 December 2022, 2023 and 2024, the Bank's auto loan portfolio stood at ₱81.0 billion, ₱90.7 billion and ₱103.3 billion, respectively.

The Bank aims to deliver to prospective auto and home buyers fast processing times, competitive rates, flexible payment terms and innovative loan products. The Bank's nationwide branch footprint enables it to efficiently serve its customers.

Personal Loans

The Bank offers personal loans in amounts from ₱10,000 to ₱2,000,000. Payment is made through salary deduction for loans to employees of certain corporate customers, and through post-dated checks, over the counter payments, through electronic channels or automatic debit arrangements for all other customers.

As at 31 December 2022, 2023 and 2024, the Bank's personal loan portfolio stood at ₱61.7 billion, ₱78.2 billion and ₱92.6 billion, respectively.

Employee Loans

As at 31 December 2022, 2023, and 2024, the Bank's employee loan portfolio stood at ₱3.7 billion, ₱4.0 billion, and ₱4.5 billion, respectively.

Treasury

The Bank's Treasury Group has the primary responsibility of managing the Bank's sources of funding, and is tasked with ensuring that the Bank has adequate liquidity at all times. As part of this function, Treasury manages the Bank's domestic and foreign currency denominated investment instruments. Treasury actively engages in securities dealership, foreign exchange trading and derivatives transactions for its own account, as well as for the accounts of individual and institutional investors. Client requirements are serviced through the Treasury Marketing unit and the Bank's branch network. The customers of the Bank's Treasury Group include domestic and offshore banks, insurance companies, financial institutions, corporations, SMEs, high net worth individuals and retail companies.

The Bank believes it is among the top interbank dealers in foreign exchange and government securities in the Philippine financial markets. The Bank has received numerous awards and recognition for its treasury activities, including the Best FX Bank for Structured Hedging Solutions and Proprietary Trading Ideas Best FX Bank for Retail Clients in Alpha Southeast Asia's 15th Annual Fund Management Awards 2024. Global Finance World recognized the Bank as Best Foreign Exchange Bank in the Philippines for 2017-2020, 2023-2024. The Bank's Treasurer, Dalmacio D. Martin, was awarded Asia's Best CFO (Investors Relations) for 2020-2024 by Corporate Governance Asia 14th Asian Excellence Award 2024.

Trading and Investment Securities

The Bank's Treasury Group manages the securities trading and investment portfolios of the Bank. As an Accredited Government Securities Dealer, the Bank has been an active participant in the primary and secondary trading of Government securities. The Bank, as one of the largest participants in the Philippine foreign exchange market, is a fixing bank in the Philippine Dealing System.

As at 31 December 2022, 2023 and 2024, the Bank's net trading and investment securities stood at ₱641.7 billion, ₱824.8 billion and ₱876.1 billion, respectively, and accounted 15.8%, 18.4% and 18.0%, respectively, of the Bank's total resources. For the years ended 31 December 2022, 2023 and 2024, gross revenues from investment securities stood at ₱22.5 billion, ₱33.8 billion and ₱43.0 billion, respectively, which represented 11.5%, 13.9% and 16.2%, respectively, of the Bank's total operating income for such periods. As at 31 December 2022, 2023 and 2024, approximately 77.5%, 83.2% and 82.8%, respectively, of the Bank's trading and investment securities portfolio were in government securities while the balance was in corporate issue bonds, derivative financial assets and equity securities.

The following table sets out, as at the dates indicated, information relating to the Bank's total investment portfolio

	As at 31 December		
	2022	2023	2024
		(audited) (in ₱ millions)	
Investment Portfolio			
Government bonds	519,714	686,515	725,549
Other debt securities [1]	112,414	131,437	141,165
Total debt securities	632,128	817,952	866,714
Non-debt securities [2]	2,637	2,911	3,219
Derivative financial assets [3]	8,613	6,070	8,291
Total[4]	**643,378**	**826,933**	**878,224**

Notes:
(1) Other debt securities consist mostly of debt securities issued by corporates in the Philippines.
(2) Non-debt securities include shares of stocks and preferred shares.
(3) Derivative financial assets include forwards and swaps.
(4) Gross of allowance.

Derivatives

The Bank's derivatives license allows it to act as an end-user and as a dealer/broker of specific derivative instruments such as swaps, forwards and options.

Transaction Banking

The Bank provides a wide range of transaction-based services for both corporate and retail customers through its transaction banking group (**Transaction Banking**).

The Bank's goal is for Transaction Banking to build long-term value and consistent earnings growth through multi-product relationships with customers. The Bank expects this will translate into a low-cost and stable source of funds for the Bank that will improve the overall risk-revenue ratio of the Bank's portfolio.

Transaction Banking is divided into corporate and retail market teams to provide a focused market approach in terms of coverage, customised product offerings and service delivery.

Cash Management Services

The Bank offers high value-added cash management solutions to large corporations, financial and foreign institutions (including Government financial institutions and Government-owned and controlled corporations). The cash management services offered by the Bank to these institutions include collections, disbursements, liquidity management, account services, payments, electronic banking services and retail payment services.

The Bank's corporate transactional banking customer base has continuously grown over the years. The Bank believes this growth in customers was the result of the Bank's innovative product offerings including modern payment services as well as solutions that cater to the customers' specific requirements, such as services for receiving payments from retails and wholesalers through online banking channels, facilitating cashless transactions at the point-of-sale (POS) terminals and providing safe and efficient services to monitor payments to the customer's suppliers and employees.

Throughout the years, the Banks' cash management department has been recognised with various awards including:

- Euromoney (Cash Management – Market Leader in the Philippines for 2020)
- Asian Banking & Finance Whole Banking Awards (Philippines Domestic Cash Management of the Year)
- Alpha Southeast Asia (Best Cash Management Bank in the Philippines for 2008-2009, 2016-2024; Best Cash Management Solution in the Philippines 2022)

Electronic Banking

The Bank provides secure electronic banking channels which allow and make it more convenient for its customers to access their deposit, credit card and other BDO accounts through a complete array of online, mobile banking and phone banking facilities. These channels allow customers to check account balances, monitor and place funds in trust investments, pay bills, transfer funds to other BDO accounts, send money to anyone, buy prepaid mobile reload, reload BDO cash cards, reorder checkbooks, view account transaction history, access and download credit card and checking account electronic statements with images of issued checks for checking accounts anytime from anywhere in the world.

Internet Banking

Transaction Banking offers internet banking to both individual and corporate clients. Using industry-standard security measures, the Bank's internet banking platform allows clients to perform their banking transactions at their own convenience by allowing access to their accounts.

Retail customers can view their account balance, credit card statements, and other accounts such as trust investments online. They can also pay bills, transfer funds to their own or other enrolled accounts, reload a BDO Cash Card, buy load for their prepaid mobile phone account, order checkbooks, execute wire transfers and issue stop payment orders. With mobile internet banking, customers can also access the Bank's internet banking platform from their mobile phone's web browser for more banking convenience.

Corporate customers can transfer funds and make bulk payments, as well as retail payments through cash card and corporate checks via the Bank's corporate internet banking platform. It also provides consolidated information to facilitate liquidation management. An internet facility is also available to process warehouse payable and credit suppliers' accounts on due dates.

Phone Banking

The Bank utilises interactive voice response service technology to provide retail customers access to their accounts, and make banking transactions such as balance inquiry, bills payment, fund transfers, BDO Cash Card reload, prepaid mobile phone reload and checkbook reorder via a touchtone phone.

Mobile Banking

The Bank, via its mobile banking (**MB**) app, enables customers to manage their accounts remotely at all times. The Bank's MB app features a full suite of banking services, which allows customers to conduct account balance/s and transaction history inquiry; send money; pay bills; reload prepaid mobile number; reload cash card; request checkbook; stop payment (check); enroll additional accounts, billers, and pre-paid mobile number; change password and update customer information. Customers are also able to lock enrolled debit cards and change passwords through the MB app.

ATMs

The Bank's ATMs allow customers to withdraw cash, avail of credit card cash advances, check account balances, transfer money, pay bills, top up prepaid phones, reload cash cards, reorder checkbooks, change PINs and activate personal online banking enrollment at any of the ATM terminals nationwide which, as at 31 December 2024, numbered 4,922 ATMs.

CAMs

The Bank's CAMs allow customers to deposit cash to their account and other BDO accounts through any of the in-branch and offsite locations in key cities and business districts nationwide. CAMs, which can accept up to 200 notes per transaction, allow real-time crediting of deposits. Other card-based transactions include balance inquiry, fund transfer to own and other BDO accounts, bills payment, prepaid mobile reload, PIN change, and personal online banking activation. Cash deposit and payment of bills not requiring enrolment may also be performed without a card. As at 31 December 2024, the Bank had 411 CAMs.

*Branch Universal Machine (**UMs**)*

The branch universal machine is a combination of services of the Bank's ATMs and CAMs with added services. It allows clients to deposit checks and update passbooks easily, even without the assistance of a branch personnel. As at 31 December 2024, the Bank had 481 UMs.

Retail Cards

The Bank offers a variety of prepaid and debit card solutions to enable cashless purchases at POS terminals, cash withdrawals worldwide and online shopping.

BDO Pay

Prior to BDO Pay, the Bank issued the BDO Cash Card to corporate clients. The BDO Cash Card was a reloadable, PIN-based electronic value card that enabled cardholders to withdraw cash and make payments without needing a BDO deposit account. Primarily used by companies for payroll and by remittance partners for payouts, the card provided a convenient solution for various financial transactions.

As a testament of the Bank's commitment to continuously enhance its corporate banking solutions, the BDO Cash Card is being phased out and transitioned to BDO Pay. BDO Pay is the Bank's innovative digital payment app, offering features such as Send and Receive Money, Pay Bills, and Scan or Show QR for seamless transactions.

BDO Pay is the first and only bank-backed mobile wallet in the country which differentiates itself from other conventional mobile wallets by having customers easily link their CASA account, debit, or credit cards as sources of payment within their wallet, allowing them to perform a full range of Peer-to-Peer (P2P) and Pay-to-Market (P2M) transactions straight from their accounts. BDO Pay also pioneers in allowing customers to Scan-to-Pay using their debit or credit cards, thus letting customers take full advantage of BDO's wide array of deals and promos across the Bank's different card brands in a safe and contactless way.

BDO ATM Debit Card

The BDO ATM Debit Card is a Peso-, US Dollar- or HK Dollar-denominated card linked to a BDO current or savings account. It carries the MasterCard and Visa brands that allow access to cash in over two million Mastercard/Cirrus/Visa/Plus ATMs, cashless shopping in over 40 million establishments worldwide, and e-commerce. It allows balance inquiry, cash withdrawal, bills payment, cash card reload, and checkbook reorder. As at 31 December 2024, the Bank has over 4.5 million active debit cards.

Remittances

The remittance function involves purchasing foreign exchange for remittance transactions and delivering remittance payments through the Bank's branch network, "BDO Remit" counters inside SM malls, partner rural banks, pawnshops, and courier services. As at 31 December 2024, the Bank's remittance network comprised 16 remittance and representative offices worldwide (inclusive of two full-service branches in Hong Kong and Singapore).

For the years ended 31 December 2022, 2023 and 2024, the Bank's volume of OFW remittances amounted to U.S.$17.7 billion, U.S.$18.0 billion and U.S.$17.9 billion, respectively.

The Bank was recognised by the BSP as the Top Commercial Bank in Generating Remittance from Overseas Filipinos for 2008 to 2010, and was given the 2010 Hall of Fame Award for 2013 to 2015. The BSP also named the Bank as Best Performing PhilPaSS Remit Participant for five straight years since 2011. The Bank also received an award as the Best Bank for Brand Building from MoneyGram in 2011.

As at 31 December 2024, the Bank had an approximately 52.0% market share of total remittance volume in the Philippines, based on BSP data on "Overseas Filipinos' Personal Remittances" information.
The Bank intends to (i) expand its existing international presence by establishing more partnerships and tie-ups with local and international correspondent banks and agents in Europe, the United States, Australia and the Middle East, (ii) rationalise its correspondent banking relationships and (iii) enhance its technology in electronic remittance processing to enable more efficient delivery of remittance services in the industry.

Investment Banking

The Bank provides investment banking services to its corporate clients through its majority-owned subsidiary BDO Capital. BDO Capital was established to address the capital raising needs of the Bank's larger corporate and institutional accounts, as well as Government-owned and controlled corporations and match these with the investment requirements of the more sophisticated investors including high net worth individuals, fund managers and other institutions. BDO Capital services include:

- Equity and quasi-equity underwriting and management — BDO Capital underwrites and manages public and private equity and quasi-equity transactions, including initial public offerings, follow-on offerings, rights issues, warrants issuances and tender offers. BDO Capital is also involved in quasi-equity transactions such as hybrid securities issuances and preferred shares issuances;
- Fixed income underwriting, packaging and syndication — BDO Capital offers clients arrangement and underwriting services in relation to corporate and government bonds, corporate notes and commercial paper. BDO Capital also offers term loan packaging and syndication services;
- Financial advisory — BDO Capital provides financial advisory services to companies to support their short-, medium- and long-term objectives. Advisory services comprise, among others, corporate and debt restructuring advice, as well as merger and acquisition advisory services;
- Direct equity investment — BDO Capital invests directly in existing and start-up enterprises or offers such investment opportunities to other clients; and
- Securitisation — BDO Capital acts as underwriter and selling agent for various asset-backed securities issued by special purpose entities.

BDO Capital was involved in major equity and debt fundraising exercises for the Government via Retail Treasury Bonds, Retail Dollar Bonds, and Premyo Bond Issues and private issuers such as Converge ICT Solutions, Monde Nissin Corporation, MREIT, Inc., CEMEX Holdings Corp., Valorous Asia Holding Pte Ltd., SMC Group (San Miguel Corp. and Petron Corp.), Ayala Group (Ayala Corp., AC Energy, and Ayala Land, Inc.), Bloomberry

Resorts and Hotels Inc., SM Group (SM Investments Corp. and SM Prime Holdings Inc.), Aboitiz Group (SN Aboitiz Power – Benguet Inc., Aboitiz Equity Ventures Inc., and Aboitiz Power Corp.), Del Monte Philippines, Inc., 8990 Holdings, Inc., 168 Gas Corporation, Filinvest Land Inc., City Savings Bank Inc., Wawa JVCo, Inc., VLL International Inc., and Energy Development Corp.
BDO Capital has received several awards from prestigious international publications and is recognized for its position as one of the leading investment banks in the Philippine equity and debt capital markets such as:

- Finance Asia recognized BDO Capital as the Best Domestic Investment Bank and Best Domestic Equity House in the Philippines over the past 20 years (PLATINUM AWARD) "for consistently providing quality and innovation to their clients over this time" and "for making the biggest difference in the countries FinanceAsia covers for the past two decades". BDO Capital also won the Best Investment Bank in the Philippines (2006 to 2014 and 2017); Best Equity House in the Philippines (2006-2007, 2009-2010, 2013, 2017 & 2020); and Best Bond House in the Philippines (2007-2008, 2010, 2012 & 2015).

- Alpha Southeast Asia, the first and only institutional investment magazine focused on Southeast Asia awarded BDO Capital as the Best Investment Bank in the Philippines from 2007-2016, 2018, 2023-2024 (13th win in 18 years); Best Bond House in the Philippines from 2007-2010, 2012-2013, 2016-2017, 2022-2024 (11th win in 18 years); and Best Equity House in the Philippines from 2008, 2013, 2016-2017 & 2020-2021 (6th win in 18 years).

- For the 19th consecutive year, The Asset awarded BDO Capital as Best Domestic Investment Bank/Best Corporate and Institutional Bank in the Philippines form 2006-2024. Other awards received are Project Finance House of the Year in the Philippines (2015, 2017-2021, 2023-2024); Best Equity House/Adviser in the Philippines (2008, 2010, 2015 & 2017-2020, 2022); Best Loan House/Adviser in the Philippines (2015-2024); and Top Arranger (Rank #2) during The Asset Benchmark Research Asian Local Currency Bond Benchmark Review in 2022.

- BDO Capital also conferred the Top Corporate Issue Manager/Arranger Award from 2011 to 2023 by the Philippine Dealing and Exchange Corporation (PDEX). On the other hand, The Asia Pacific Loan Market Association awarded BDO Capital as Syndicated Loan House of the Year (Philippines) for 2013 to 2014, and in 2016 received an award as the Top Investment Bank in the Philippines by the Acquisition International.

- Furthermore, BDO Capital won the Best for Equities in the Philippines during the 2024 Euromoney Securities Houses Awards (awarded by Euromoney); Best Domestic Investment House in the Philippines (2013 - 2014, 2017 – 2024) by Global Finance; and for 7th consecutive year, BDO Capital remain as the Corporate and Investment Bank of the Year in the Philippines (2018-2024) awarded by Asian Banking & Finance.

- During the 9th IHAP Awards covering investment banking deals closed in 2023, BDO Capital swept all house awards including the "Investment House of the Year" and "Deal of the Year Award". BDO Capital received the following awards: Investment House of the Year for 2016-2020, 2022-2023 (7th win in 9 years); Best Advisory House for 2017, 2019, 2021-2022; Best Equity House for 2016-2017, 2019, 2021-2023 (6th win in 9 years); Best Fixed Income House for 2015-2023 (9th win in 9 years); and Best Project Finance House for 2016-2017, 2019-2023 (7th win in 9 years).

Trust and Investments Group

The Bank provides trust and investment management services through its trust and investments group (**BDO TIG**). For corporate accounts, BDO TIG offers a wide range of products, including employee benefit plans, investment management and advisory services, escrow arrangements, registry/transfer agency services, paying/collection and other collateral agency services. For high net worth clients, BDO TIG provides access to customised portfolios via living trust and investment management accounts.

BDO TIG offers investment opportunities to its retail clients through a selection of Peso- and U.S. Dollar-denominated UITFs. UITFs are collective investment schemes that seek to offer returns comparable to those of larger investors. They are professionally managed according to specific investment objectives and invested accordingly in diversified portfolios. A client has the choice of investing directly in the UITFs or through the BDO

Easy Investment Plan (**EIP**), a program that facilitates regular investing in selected BDO UITFs. The EIP is an investment scheme that assists individuals in attaining their financial goals and financial wellness through saving and investing.

In accordance with Philippine banking regulations, the Bank's Trust Committee oversees its trust business and approves all of its investment decisions.

Based on the latest published BSP trust industry data as of 31 December 2024, the Bank was the leader in the local trust and investments industry with over 31% market share. BDO TIG's assets under management (AUM) stood at ₱1.4 trillion as of 31 December 2024. Total AUM of BDO UITFs stand at ₱314 billion as of 31 December 2024.

BDO TIG's expertise, product offering and competitive investment performance were recently recognised by various international institutions. In 2024, BDO TIG was recognized by the Asset Asian Award as the Asset Management Company of the Year (awardee since 2018) and Digital Fund Manager of the Year. Additionally, the Alpha Southeast Asia acknowledged BDO TIG as the Best Asset Manager (Money Market Funds), Best Online & Mobile Platform (Asset Manager) and Best Fund Manager for Pension Mandates & Private Retirement Schemes while the Asian Banking & Finance awarded BDO TIG with the Retirement Solutions for 2024.

In September 2016, BDO TIG also became the first institution in the Philippines to be accredited as Personal Equity and Retirement Account (**PERA**) Administrator. In December 2017, the Bank rolled out the first PERA Online facility in the country. PERA, is the Philippine version of similar laws covering retirement savings vehicles prevalent and long standing in more developed countries such as IRA and 401K in the US. PERA establishes the legal and regulatory framework for voluntary personal retirement plans as a means to promote savings mobilisation, capital market development and long-term fiscal sustainability. It provides employers with the opportunity to become agents in furthering these objectives and it provides Filipinos a means to supplement their future pension benefits from the Philippine Social Security System and Philippine Government Service Insurance System. BDO TIG also offers the following PERA investment funds: BDO PERA Short Term Fund, BDO PERA Bond Index Fund and BDO PERA Equity Index Fund.

The Bank continues to work to make PERA a viable retirement program for Filipinos by closely working with BSP, BIR and other stakeholders. The Bank continues to actively participate in BSP organized PERA Roadshows in educating and promoting PERA to the public.

Leasing and Financing

On 25 May 2019, the Bank's Board of Directors approved the restructuring of its leasing business. Under the restructuring, a new, privately held company, BDOFC, was incorporated on 9 December 2019 to carry on the leasing business of the Bank. BDOLF (which was renamed to Dominion Holdings Inc.), on the other hand, sold substantially all of its assets to the Bank, BDOFC and other subsidiaries.

On 28 January 2020, the Bank announced that it had entered into an agreement to sell a controlling stake in BDOLF, with the completion of the transaction subject to closing conditions. On 21 October 2020, BDOLF reported that it transferred 27.02% of its assets to BDOFC. The transfer of assets is part of the restructuring of the Bank's leasing business in order to optimize the financial needs of clients in light of new accounting regulations covering lease transactions. IFRS 16, which took effect on January 2019, requires leases to be recognized on-balance sheet, similar to a loan facility, which makes lease transactions a less attractive option to corporate borrowers compared to the previous arrangement. Under the restructuring, the Bank incorporated a new, privately held company BDOFC to provide customers continuing access to lease products and services. However, on 24 January 2021, the Bank's agreement for the sale of controlling stake in BDOLF lapsed due to the non-completion of certain closing conditions that were a pre-requisite to the sale transaction. The parties thereafter agreed to terminate the agreement. BDOLF remains a listed holding company of the Bank. On 7 March 2022, the Bank further disclosed that it is now contemplating keeping BDOLF, repurposed as a holding company, for its own investment purpose or, depending on the terms of outstanding offers, pursue the sale of its shares with other prospective buyers.

On 18 July 2022, the Philippine SEC approved the change in name and purpose of BDOLF into Dominion Holdings, Inc, a holding company, which remains listed in the PSE.

Life Insurance

Through its wholly-owned subsidiary, BDO Life, the Bank offers life protection plans (whole life insurance and term life insurance); fund accumulation plans specifically designed to provide for children's education; savings and retirement plans (endowment and variable life insurance); and group insurance. To support premium growth, BDO Life has maintained an almost full coverage of the Bank's branches with financial advisers covering 99% of the Bank's branches as of 31 December 2024. BDO Life ranks 6th in terms of total premium income, and ranks 2nd in terms of traditional life protection based on traditional premium income as of 31 December 2024.

Insurance and Reinsurance Brokerage

The Bank's wholly owned insurance broker, BDO Insurance and Reinsurance Brokers, Inc. (**BDO Insure**), formerly BDO Insurance Brokers, Inc., offers a diverse portfolio of reputable insurance partners, which provide customers with the flexibility to choose providers and products who match their needs and financial capabilities. For the years ended 31 December 2022, 2023, and 2024, ₱7.9 billion, ₱8.3 billion and approximately ₱ 10 billion, respectively, of gross insurance premiums were arranged by BDO Insure.

In 2024, BDO Insure was granted with a Reinsurance Brokerage license by the Philippine Insurance Commission, which will allow it to expand its offerings to cater reinsurance.

While BDO Insure has the technical capability to evaluate insurance and reinsurance risks, it does not underwrite or absorb insurance/reinsurance risks. The Bank has a bancassurance license from the BSP which permits the Bank to market and sell both life and non-life insurance products through its branch network. In 2023, BDO Insure was the industry leader in terms of commissions earned, based on rankings provided by the Philippine IC.

Securities and Online Brokerage

Through its subsidiary, BDO Securities, the Bank engages in the stock brokerage business and deals in securities and related activities. BDO Securities is a trading participant of the PSE.

BDO Securities is a full-service brokerage firm that offers research, trading, and advisory services to both local retail and institutional clients. It also provides online trading services for listed Philippine stocks to individual investors through its online platform, which is duly certified by the PSE. Its online platform connects seamlessly with client accounts, offering real time deposit and withdrawal facilities, which allow clients to quickly respond to market movements. To complement its equity offering, BDO Securities also brokers fixed income securities and funds for client investment needs. The business also aims to provide stock brokerage services to institutional clients overseas and a platform to connect Filipino investors to the international stock markets.

BDO Securities was recognized as the Best Retail Broker in the Philippines for 2021-2022 by Alpha Southeast Asia.

Support and Delivery Management

Support and Delivery Management ensures that the Bank's operational needs are efficiently met, the Bank's processes aligned with its business objectives and its vision and corporate strategies realised. It is composed of the following: information technology, comptrollership, human resources, marketing communications, investor relations and corporate planning, and central operations. Also functionally grouped under Support and Delivery Management are the Bank's Risk Management Group as well as Internal Audit and Compliance, both of which report to their respective Board-level committees, namely, the Risk Management Committee and the Audit Committee.

Information Technology Group

The Bank's IT Group is responsible for building functional and operational systems for the Bank. The IT Group maintains the application systems and manages the Bank's network, data centre, and other IT infrastructure to support the Bank's operations. It also provides technical and applications support to the various units in the Bank.

Comptrollership Group

The Bank's comptrollership group is primarily responsible for developing and maintaining an integrated financial information and control system within the framework of generally accepted accounting principles and applicable regulatory policies, managing all accounting operations of the Bank and its subsidiaries, and providing senior management with information necessary for planning, directing and controlling group operations.

Human Resources Group

The Bank's human resources group is responsible for the formulation, development and implementation of corporate-wide human resources strategies, policies, procedures and programmes covering recruitment and selection, talent management, manpower planning, training, performance management, organisation development, compensation and employee benefits and services.

Marketing Communications Group

The Bank's marketing communications group is responsible for marketing and communications strategies and operations that drive continuous brand-building and brand protection, as well as promote the Bank's products and services to various audience groups across relevant channels.

Investor Relations and Corporate Planning Group

The Investor Relations and Corporate Planning Group is responsible for financial planning and reporting, investor relations and industry research, macroeconomic research, and data analytics. Its functions include budget preparation, capital management, strategic project support, investor communications, industry analysis, and maintaining the IR website. It also involves providing macroeconomic insights, organizing investment committee meetings, managing data analytics programs, and developing models to predict future outcomes, with the objective of generating actionable insights for management.

Central Operations Group

The Bank's Central Operations Group is responsible for handling back-end processing, ensuring smooth and efficient operations across various units in the areas of cash and check services, payment services, loan operations, trade operations, treasury operations and transaction services.

CORPORATE SOCIAL RESPONSIBILITY

The Bank manifests and demonstrates its responsibility to society in various ways. In aspiring to be a world-class company, the Bank is mindful of its impact to society, particularly the financial inclusion of the unbanked and the underserved. The Bank puts great importance in instilling the core value of community involvement among its employees through its Employee Volunteer Program, with activities supporting Sustainable Development Goals addressing poverty, hunger, environmental conservation, education, and financial education. Going beyond local host communities, the Bank has taken on its role of contributing to national development by pursuing certain social initiatives with partner development institutions, including Gawad Kalinga, the International Federation of Red Cross and Red Crescent Societies, Philippine National Red Cross, UN Habitat, and Worldwide Fund for Nature and Philippine Business for Social Progress (which promotes environmental awareness).

BDO Foundation

BDO Foundation is the corporate social responsibility arm of the Bank. Founded in 2008, it is duly accredited by the Department of Social Welfare and Development (**DSWD**), BIR and Philippine Council for NGO Certification (**PCNC**).

BDO Foundation's advocacies fall under two program pillars: (1) disaster response and (2) financial inclusion. In line with its disaster response advocacy, BDO Foundation mounts relief operations in areas affected by natural or man-made disasters. The foundation mobilizes BDO volunteers for the immediate distribution of food, rice and drinking water in affected areas across the country. As part of its efforts to promote financial inclusion, BDO

Foundation implements financial education programs in partnership with the BSP, government agencies, private entities and academic institutions. The partnership projects aim to improve financial literacy levels in the country through the institutionalization of financial education into the initiatives of partner organizations.

BDO Foundation also rehabilitates rural health units nationwide as part of efforts to help improve the primary healthcare delivery system in the Philippines. The Asian Banking & Finance Retail Banking Awards recognized BDO Foundation for Financial Inclusion Initiative of the Year- Philippines for 2023-2024.

SUSTAINABILITY

Sustainability at BDO is fostered at the Board level, role modeled by senior executive leaders, executed by the business units and subsidiaries, and brought to life by the Bank's employees. The Bank's sustainable development framework and strategies are anchored on the United Nations Sustainable Development Goals (**UN SDGs**). The goal is to "achieve strategic resilience by embedding sustainability principles in what we do business" and aims to embed sustainability principles when making decisions, assessing relationships, and creating products.

The Bank has long recognised and practiced sustainability in its business operations to achieve stability and resilience in the financial value chain. The Bank will soon issue its seventh Sustainability Report outlining the Bank's economic, environmental, social, and governance performance covering the period January 1 to 31 December 2024. The 2024 BDO Sustainability Report will be in accordance with the GRI reporting standard, and in reference to the International Financial Reporting Standards 1 and 2, the Task Force for Climate-related Financial Disclosures recommendations, and the Sustainability Accounting Standards Board standards.

Sustainable Finance

The Bank's sustainable finance initiatives began in 2010, with the establishment of the Social and Environmental Management Systems (**SEMS**) policy that was created with the assistance of the IFC. The SEMS evolved into what is now the BDO SFF that covers social and environmental impact assessment and risk assessment, aligned with the Bank's Sustainability Philosophy and Strategies, as well as the UN SDGs

BDO also set up the Sustainable Finance Desk in 2010, initially focused on financing renewable energy projects and later expanded in scope to cover sustainable finance for energy efficiency, climate- smart agriculture, green infrastructure, and clean transportation.

In 2017, the Bank was the first in East Asia and the Pacific to issue a green bond, with U.S.$150 million in proceeds to finance seven large scale renewable energy projects. The issuance was the first green bond issued by a commercial bank in the Philippines, and the IFC was the sole investor. In May 2022, the Bank issued its maiden blue bond amounting to U.S.$100 million with IFC as sole investor in the bond, for water and wastewater management projects to address water scarcity and ocean pollution in the Philippines.

In 2022 and 2024, the Bank issued three ASEAN Sustainability Bonds under its ₱365 billion bond programme. The net proceeds of these issuances aim to finance and/or refinance eligible assets as defined in the Bank's SFF and diversify the Bank's funding sources. See "— Capital Raising Transactions — Peso-Denominated Senior Fixed Rate Bonds".

Continuous Improvement in Sustainable Finance

The Bank stays true to its commitment to sustainable finance as it aligns with the BSP Circular 1085 issued in April 2020, which mandates all banks to transition to a SFF. The Bank supports the BSP's initiative to integrate sustainability not just in the banks' governance framework and risk management system, but more importantly, in its overall business strategy and operations.

The Bank's SFF is the most comprehensive in the Philippines, with 29 eligible categories for green, blue, social, and orange/gender financing. The SFF guides projects that the Bank considers as qualified for sustainable finance, particularly in its bond issuances. The Bank's SFF has been certified by Sustainalytics as aligned with international standards.

LEGAL PROCEEDINGS

Details of material proceedings involving the Bank are set out in Note 34.1 of the notes to the audited financial statements included in this Offering Circular. In addition, the Bank may be subject to various legal proceedings and claims that arise in the ordinary course of its operations.

Applicability of RR 4-2011

On 15 March 2011, the BIR issued Revenue Regulations (**RR**) No. 4-2011 regarding the alleged violation relating to the proper allocation of costs and expenses amongst income earnings of banks and other financial institutions for income tax reporting purposes. RR 4-2011 essentially prescribed the method of allocation of cost and expenses such that when computing the amount allowable as deduction from regular banking unit operations, all costs and expenses should first be allocated between the regular banking unit and foreign currency deposit unit / expanded foreign currency deposit unit or offshore banking unit.

On 6 April 2015, 19 banks (**Petitioners**) filed a Petition for Declaratory Relief with Application for Temporary Restraining Order and/or Preliminary Injunction (the **Petition**), with the Regional Trial Court (**RTC**) of Makati. The Parent Bank and BDO Private Bank are among the Petitioners in Civil Case No. 15-287 assailing the validity of RR 4-2011. In the Petition, the Petitioners claimed that there is no provision in the National Internal Revenue Code which justifies the issuance of RR 4-2011 and that the scope of RR 4-2011 unduly expands the power of the BIR to allocate a taxpayer's costs and expenses. The Petitioners also claimed that RR 4-2011 limits their rights to claim ordinary and necessary expenses as deductions.

On 25 May 2018, the RTC declared RR 4-2011 null and void. The writs of preliminary injunction issued by the RTC on 25 April 2015 and 28 February 2018 were also made permanent, enjoining the Department of Finance (**DOF**) and BIR from implementing RR 4-2011 and prohibiting them from issuing a preliminary assessment notice or final assessment notice, or deciding any administrative matter pending before it, according to or in relation to said regulation.

On 10 July 2018, the DOF and BIR filed a Motion for Extension of Time to File a Petition for Review on Certiorari (**Motion for Extension**). The Supreme Court granted the Motion for Extension.

On 9 August 2018, Petitioners filed a Petition for Review on Certiorari dated 1 August 2018 (the **2018 Petition**) to assail the RTC decision based on the following grounds: (i) the RTC had no jurisdiction over petitions assailing the constitutionality and validity of tax laws, rules and regulation, and other administrative issuance of the BIR, and that it is the Court of Tax Appeals that has exclusive jurisdiction to determine the constitutionality or validity of tax laws, rules and regulations issued by the Commissioner of Internal Revenue; and (ii) RR 4-2011 is a valid regulation issued pursuant to the rule-making power of the DOF and the BIR.

In a Resolution dated 27 March 2019, the Supreme Court ordered the respondents to file their Comment on the 2018 Petition. On 5 August 2019, the respondents filed its comment on/Opposition to the Petition for Review on Certiorari. All other respondents have their respective Comments and/or Oppositions to the 2018 Petition.

In a Decision dated 1 December 2021, the Supreme Court denied the Petition filed by DOF and BIR. No Motion for Reconsideration was filed by DOF and BIR. Supreme Court Decision became final and executory on 7 June 2022 and recorded in the Book of Entries of Judgments.

First e-Bank

In 2002, First e-Bank (**FeB**) experienced liquidity problems prompting the Philippine Deposit Insurance Corporation (**PDIC**) to invite several banks to propose a solution for FeB's bailout. PDIC entered into contract with the Bank wherein consideration of the assumption by the Bank of FeB's liabilities in the maximum amount of ₱10.0 billion. As part of the contract, PDIC will provide the Bank ₱10.0 billion of financial assistance and PDIC will receive FeB's assets to recover said financial assistance.

About ₱5.0 billion of the financial assistance was released to the Bank and the remaining ₱5.0 billion was deposited in escrow with BDO TIG in accordance with the escrow agreement dated 23 October 2002 entered into by the Bank, PDIC, and BDO TIG. In August 2016, PDIC authorized the release of a total amount of ₱4.650

million from escrow inclusive of proportional interest. However, as at 26 August 2016, the amount of ₱1.224 billion remains in escrow, which includes: (i) ₱602 million, which covers assets the Bank still considers capable of delivery worth ₱214 million and the remaining assets PDIC classified as undeliverable; and (ii) all interest earnings thereon. Unable to agree on the release of the remaining amount in escrow, on 20 September 2016, PDIC filed a Complaint for Specific Performance and Damages against the Bank, which case was raffled to RTC Makati City Branch 60. On 14 October 2016, the Bank filed its Answer to the Complaint affirming that it has assumed ₱10.0 billion in liabilities of FeB and is thus entitled to release of the remaining escrow of ₱1.224 billion.

In a judgment dated 31 May 2018, the Regional Trial Court of Makati dismissed the complaint, granted the Bank's counterclaim and ordered BDO TIG to immediately release the remaining escrow amount plus interests, to the Bank. PDIC filed a Motion for Reconsideration but the same was denied by the same court. PDIC then filed a Notice of Appeal. In the decision dated 15 June 2020, the Court of Appeals dismissed PDIC's appeal. PDIC filed Motion for Reconsideration but the same was denied by the CA in a Resolution dated 25 January 2021. PDIC filed a Petition for Review with the Supreme Court.

On 18 June 2018, the Bank received an amount of ₱1.243 billion for the full termination of escrow. As at 31 December 2021, the difference between the amount received and the balance of the amount in escrow is presented as part of "Others" under the Bank's "Other Liabilities" account, pending the resolution of the appeal filed by the counterparty.

The case is still pending before the Supreme Court as of 31 December 2024.

SUBSIDIARIES AND AFFILIATES

The Bank's diverse subsidiaries and investments in allied undertakings provide an extensive range of banking and other financial services. As at 31 December 2024, the Bank's subsidiaries and associates are as follows:

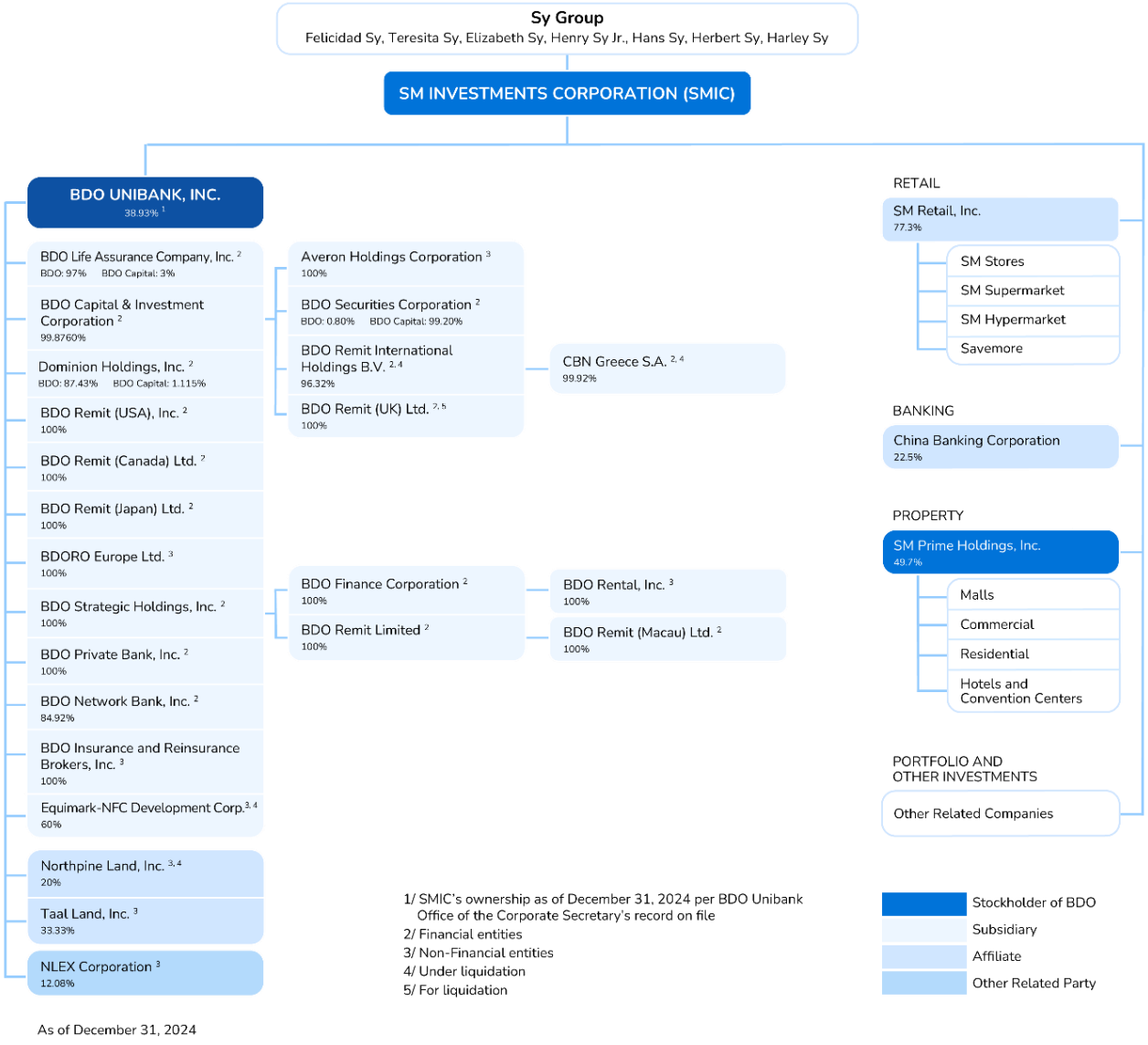
Philippine Subsidiaries	**Per cent. Interest Held**
BDO Capital & Investment Corporation	99.88%
BDO Insurance & Reinsurance Brokers, Inc.	100%
BDO Private Bank, Inc.	100%
BDO Strategic Holdings, Inc.	100%
BDO Securities Corporation	99.88%
Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.)	88.54%
Averon Holdings Corporation	99.88%
BDO Finance Corporation	100%
BDO Rental, Inc.	100%
Equimark — NFC Development Corporation(1)	60%
BDO Network Bank, Inc.	84.92%
BDO Life Assurance Company, Inc.	100%

Foreign Subsidiaries	**Per cent. Interest Held**
BDO Remit (USA), Inc.	100%
BDO Remit Limited.	100%
BDO Remit (Macau) Ltd..	100%
BDO Remit International Holdings B.V.	96.20%
BDO Remit (Canada) Ltd.	100%
BDO Remit (Japan) Ltd.	100%
BDO Remit (UK) Ltd.	99.88%
BDORO Europe Ltd.	100%
CBN Greece S.A.	96.13%

Associates	**Per cent. Interest Held**
Taal Land, Inc.	33.33%
Northpine Land Inc.	20%
NLEX Corporation (formerly Manila North Tollways Corporation)	12.08%

Note:
(1) As of the date of this Offering Circular, the company is under liquidation.

An organizational chart of the Bank's subsidiaries and associates as at 31 December 2024 appears below.



Subsidiaries

<u>BDO Capital & Investment Corporation</u>

BDO Capital is the investment banking arm of the Bank that started operations in March 1999. BDO Capital was established to address the capital raising needs of the Bank's larger corporate and institutional accounts, as well as Government-owned and controlled corporations and match these with the investment requirements of the more sophisticated investors including high net worth individuals, fund managers and other institutions. See "— Product Management — Investment Banking".

BDO Insurance & Reinsurance Brokers, Inc.

BDO Insure is a wholly owned insurance broker of the Bank. It began commercial operations in September 1997 as an insurance intermediary for the Bank, its customers, and the Bank's affiliates, including the SM Group. See "— Product Management — Insurance and Reinsurance Brokerage".

BDO Private Bank, Inc.

BDO Private Bank, a wholly owned commercial bank subsidiary of the Bank, was acquired on 29 August 2003. See "— Relationship Management — Private Banking".

BDO Strategic Holdings, Inc.

BDO Strategic Holdings, Inc. (**BDOSHI**), formerly, EBC Investments, Inc. is a domestic corporation licensed to operate as a holding company. BDOSHI, which is wholly owned by the Bank, directly owns BDO Remit and BDOFC.

BDO Securities Corporation

BDO Securities a 99.88%-owned subsidiary, was incorporated in the Philippines on 25 September 1995 to engage primarily in the stock brokerage business and to deal in securities and all activities directly connected therewith or incidental thereto. See "— Product Management — Stock Brokerage".

Dominion Holdings, Inc. (formerly BDOLF)

Dominion Holdings, Inc. (formerly BDOLF) was incorporated in 1981 and was listed in the PSE on 6 January 1997. In July 2022, the company was renamed Dominion Holdings, Inc. and converted to a holding company. See "— Product Management — Leasing and Financing".

Averon Holdings Corporation

Averon Holdings Corporation, a wholly owned subsidiary of BDO Capital, is a holding company engaged primarily in the leasing business. Its building located in 6780 Ayala Avenue, Makati City is accredited with the Philippine Economic Zone Authority (**PEZA**).

BDO Finance Corporation

BDOFC, a wholly owned financing company of BDOSHI, was incorporated on 9 December 2019. It is a privately held company which provides customers with continued access to lease products and services. See "— Product Management — Leasing and Financing".

BDO Rental, Inc.

BDO Rental, Inc., a wholly owned subsidiary of BDOFC, was incorporated on 10 March 2005. Licensed to engage in renting and leasing equipment (except finance lease), it started commercial operations on 30 June 2005.

Equimark-NFC Development Corporation

Equimark-NFC Development Corp. is 60% owned by the Bank and 40% owned by China Non-ferrous Metals Industry. The company has a joint venture project with Avida Land, an Ayala subsidiary, involving two residential condominium towers in Makati City. As of the date of this Offering Circular, the company is under liquidation.

BDO Network Bank, Inc. (**BDO Network**)(formerly One Network Bank, Inc. (A Rural Bank of BDO)(**ONB**))

BDO Network is 84.92% owned by the Bank. See "— Relationship Management — Rural Banking".

BDO Life Assurance Company, Inc. (formerly Generali Pilipinas Life Assurance Company)

In March 1999, the Bank established Generali Holding, a joint venture holding company with Generali, Jerneh Asia Berhad (Jerneh Asia) and Vantage Equities, Inc., to enter into life and general insurance businesses. Generali is one of the largest insurance groups in the world, while Jerneh Asia is a member of the Kuok Group of Companies, one of the largest corporate conglomerates in Malaysia, providing a wide range of general, marine and medical insurance products. Subsequently, BDO Capital acquired the 10% holdings of Vantage Equities, Inc. in Generali Holding. Generali Holding is effectively 40% owned by the Bank and 60% by Generali Asia, which, in turn, is 60% owned by Generali and 40% owned by Jerneh Asia.

Generali Assurance and Generali Insurance were both incorporated in July 1999 as wholly-owned subsidiaries of Generali Holding and were subsequently launched in March 2000 to serve as the operating companies for life and general insurance, respectively. Generali Assurance and Generali Insurance are among the largest capitalised insurers in the Philippine insurance industry and are positioned to provide the Bank with an opportunity to become a one-stop financial shop, providing a wide range of insurance products and services through its branches.

On 9 June 2015, the Bank announced that it concluded an agreement to terminate the joint venture vehicle GPHC, the parent firm of life insurer Generali Assurance and non-life insurer Generali Insurance. In 2016, the Bank took full control of GPHC and Generali Assurance, which were subsequently renamed BDO Life Assurance Holdings Corp. and BDO Life Assurance Company Inc., respectively. BDO Life Assurance Holdings Corp. was merged into BDO Life Assurance Company Inc. with the latter as surviving entity. See "— Product Management — Life Insurance".

BDO Remit (USA), Inc.

BDO Remit (USA), Inc., a wholly owned subsidiary, was incorporated in California on 15 February 1991. It offers a full range of remittance services to the Philippines through its head office in Daly City and its agents in California and other states. It also holds state licenses in Alaska, Hawaii, New Jersey, and the US Virgin Islands.

BDO Remit Limited

BDO Remit Limited (**BDO Remit**), a wholly owned subsidiary of BDOSHI, was incorporated on 7 February 2001 initially under the name of Hatid Yaman Remittance Company Limited. On 15 September 2004 it was renamed as BDO Remittance until it changed to its current legal name on 3 August 2009. It offers specialised remittance services to cater to the needs of Filipino workers and migrants in Hong Kong who regularly send money to the Philippines. BDO Remit offers secure, fast, reliable and convenient remittance service to the Philippines through its office in Worldwide House.

BDO Remit (Macau) Ltd.

BDO Remit (Macau) Ltd., a wholly owned subsidiary of BDO Remit, was incorporated on 18 December 1997 initially under the name of PCI Express Padala. On 6 May 2010, it was incorporated under its current legal name, BDO Remit (Macau) Ltd. The subsidiary office extended its presence by opening its second and third branches in 2010 and 2014, respectively. To date, there are three offices located in China Plaza, Circle Square and Taipa, offering a full range of remittance services to Overseas Filipino Workers in Macau.

BDO Remit (Canada) Ltd.

BDO Remit (Canada) Ltd., a wholly owned subsidiary, was incorporated on 23 June 2014 with licenses in British Columbia and Ontario. The company, which is registered as a money service business, will primarily provide remittance services to individual and corporate clients in Canada for credit/payment to their beneficiaries in the Philippines.

BDO Remit (Japan) Ltd.

BDO Remit (Japan) Ltd., a wholly owned subsidiary, was incorporated in Tokyo, Japan on 18 August 2014. The license to operate as a fund transfer business company was granted by Kanto Financial Bureau (FSA) on 2 December 2015. Its remittance office, located at Zenken Plaza II, 1F & 2F, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo, Japan, started operations on 1 April 2016 and offers a full range of remittance services to Overseas Filipino Workers in Japan.

BDORO Europe Ltd.

BDORO Europe Ltd., a wholly owned subsidiary, was originally intended to be a banking subsidiary in the United Kingdom (UK) and was registered with the Companies House on 30 May 2012. With the pandemic and unfavorable business and political conditions in the UK, the Bank has temporarily put on hold its application for a banking license until conditions improve. BDORO Europe Ltd. Is currently leasing out the real estate property it acquired in 2013.

Associates

NLEX Corporation

NLEX Corporation (formerly Manila North Tollways Corporation), where the Bank has a 12.08% ownership, is the builder and concessionaire of the North Luzon Expressway, and is involved in all aspects of tollway operations – from toll collection to traffic management and from motorists' assistance to roadway maintenance. The other shareholders of NLEX Corporation are Metro Pacific Tollways North Corporation, Egis Investment Partners Philippines, Inc., GlobalFund Holdings Corporation, and the Philippine government.

Taal Land, Inc.

Taal Land, Inc. is 33.33% owned by the Bank. It owns 25% of Jaka Tagaytay, developer of the Splendido resort.

NorthPine Land, Inc.

NorthPine Land Incorporated, where the Bank holds a 20% interest, is a real estate company involved in horizontal development targeting the middle-income to high-end housing market. Current projects are located in Cavite, Laguna and Rizal. The other shareholders of the company are Hong Kong Land, Inc., San Miguel Properties, Inc. and Metrobank.

RISK MANAGEMENT

The Bank is exposed to risks that are particular to its lending and trading businesses and the environment within which it operates. The Bank's goal with respect to risk management is to ensure that it identifies, measures, controls and monitors the various risks that arise from its business activities, and that it strictly adheres to the policies and procedures which are established to address these risks.

Risk Management

The Bank's risk management begins at the highest level of the organization. At the helm of the risk management infrastructure is the Board of Directors (the **BOD**) which is responsible for establishing and maintaining a sound risk management system. The BOD assumes oversight over the entire risk management process and has the ultimate responsibility for all risks taken. It regularly reviews and approves the Bank's tolerance for risks, as well as, its business strategy and risk philosophy. The BOD has constituted the Risk Management Committee (the RMC) as the board-level committee responsible for the development and oversight of the risk management program. Recognizing the importance of appropriately addressing credit risk, the BOD has also constituted the Executive Committee. The Executive Committee is responsible for approving credit-specific transactions, while the RMC is responsible for risk appetite levels, policies, and risk tolerance limits related to credit portfolio risk, market risk, liquidity risk, interest rate risk, operational risk (including business continuity risk, IT risk, information security and cyber-security risk, data privacy risk, and social media risk), consumer protection risk and

environmental and social risk to ensure that current and emerging risk exposures are consistent with Bank's strategic direction and overall risk appetite.

Within the Bank's overall risk management system is the Assets and Liabilities Committee (**ALCO**), which is responsible for managing the Bank's statement of financial position, including the Bank's liquidity, interest rate and foreign exchange related risks. In addition, ALCO formulates investment and financial policies by determining the asset allocation and funding mix strategies that are likely to yield the targeted financial results.

The evaluation, analysis, and control performed by the risk function, in conjunction with the risk takers, constitute the risk management process. The risk management process is applied at three levels: the transaction level, the business unit level, and the portfolio level. This framework ensures that risks are properly identified, quantified and analyzed, in consideration of their potential effects on the Bank's business. The goal of the risk management process is to ensure rigorous adherence to the Bank's standards for precision in risk measurement and reporting and to make possible, in-depth analysis of the deployment of capital and the returns that are delivered to the Bank's shareholders.

The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market (foreign exchange, interest rate, and price risks), liquidity, and operational risks. The Risk Management Group (**RMG**) is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Bank's activities across the different risk areas (i.e., credit, market, liquidity and operational risks) to optimise the risk-reward balance and maximise return on capital. RMG also has the responsibility for recommending to the appropriate body, risk policies across the full range of risks to which the Bank is exposed. RMG functionally reports to the RMC.

In the performance of its function, the RMG observes the following framework:

- It is responsible for policy formulation in coordination with the relevant businesses/functions and ensures that proper approval for the manuals/policies is obtained from the appropriate body.
- It then disseminates the approved policies to the relevant businesses/functions after which, pertinent authorities are delegated down to the businesses/functions to guide them in the conduct of their businesses/functions. The RMG then performs compliance monitoring and review to ensure approved policies are adhered to.
- It is responsible for clarifying interpretations of risk policies/guidelines raised by business heads/units.
- When adverse trends are observed in the account/portfolio, the RMG is responsible for flagging these trends and ensuring relevant policies for problem accounts/portfolio management are properly applied.
- The RMG is responsible for the direct management of accounts in the Bank's non-performing loans/property-related items in litigations portfolio and ensures that appropriate strategies are formulated to maximise collection and/or recovery of these assets.
- It is also responsible for regular review and monitoring of accounts under its supervision and ensuring that the account's loan classification is assessed timely and accurately.

Liquidity Risk Management

Liquidity risk is the risk that there could be insufficient funds available to repay depositors, to fulfill commitments to lend, or to meet any other liquidity commitments. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to meet funding requirements, manage and control liquidity gaps through Maximum Cumulative Outflow (**MCO**) limits, regular liquidity stress testing to ensure positive cashflow across all identified stress scenarios, and establishment of a liquidity contingency plan to ensure adequate liquidity under both business-as-usual and stress conditions.

The Bank's principal source of liquidity is comprised of ₱109.7 billion of cash and ₱1.7 trillion of short-term deposits with maturities of less than one year as at 31 December 2024. In addition to regulatory reserves, the Bank maintains what it believes to be a sufficient level of secondary reserves in the form of liquid assets such as short-term trading and investment securities that can be converted to cash quickly. Of a net portfolio of trading and investment securities of ₱641.7 billion, ₱824.8 billion, and ₱876.1 billion as at 31 December 2022, 2023 and 2024, ₱38.7 billion, ₱195.3 billion and ₱160.0 billion, respectively, comprised trading and investment securities with remaining maturities of one year or less. The Bank also uses the interbank market as a means of maintaining a sufficient level of liquid assets. It had interbank loan receivables of ₱446.2 billion, ₱421.1 billion and ₱340.0

billion as at 31 December 2022, 2023 and 2024, respectively. In addition, the Bank manages liquidity by maintaining a loan portfolio with a sufficient proportion of short-term loans. As at 31 December 2024, ₱1.1 trillion, or 32.7%, of the Bank's loans and other receivables comprised loans with remaining maturities of one year or less, including past-due loans.

Interest Rate Risk Management

A critical element of the Bank's risk management program consists of measuring and monitoring the risks associated with fluctuations in market interest rates on the Bank's net interest income. The Bank prepares gap analysis to measure the sensitivity of its resources, liabilities and off-book items to interest rate fluctuations. The focus of analysis is the impact of changes in interest rates on accrual or reported earnings. This analysis would give management a glimpse of the maturity and re-pricing profile of its interest sensitive resources and liabilities. An interest rate gap report is prepared by classifying all assets and liabilities into various time buckets according to contracted maturities or anticipated repricing dates, or based on applicable behavioral assumptions if more applicable. The difference in the amount of resources and liabilities maturing or being repriced in any time period category would then give the Bank an indication of the extent to which it is exposed to the risk of potential changes in net interest income.

The following table sets forth the interest rate gap position for the Bank's operations as at 31 December 2024:

	One to three months	More than three months to one year	More than one year to five years	More than five years	Non-rate sensitive	Total
			(in ₱ millions)			
Resources:						
Cash and other cash items	—	—	—	—	109,744	109,744
Due from BSP/other banks	23,560	2,476	—	—	314,005	340,041
Trading and investment securities	93,212	66,782	384,359	303,826	27,929	876,108
Loans and other receivables - net	1,709,633	515,177	934,694	122,546	(9,532)	3,272,518
Investment securities and other assets for life insurance contracts – net	1,494	4,514	22,326	49,552	44,025	121,911
Other resources – net*	—	2	3	—	155,723	155,728
Total Resources	**1,827,899**	**588,951**	**1,341,382**	**475,924**	**641,894**	**4,876,050**
Liabilities and Equity:						
Deposit liabilities	1,533,289	228,105	13,091	383	2,019,159	3,794,027
Bills payable	80,624	85,412	95,434	—	—	261,470
Insurance contract and other liabilities for life insurance contracts**	2,556	(3,893)	(2,242)	64,880	30,170	91,471
Other liabilities	—	200	1,317	2,508	147,662	151,687
Total Liabilities	1,616,469	309,824	107,600	67,771	2,196,991	4,298,655
Equity	—	—	—	—	577,395	577,395
Total Liabilities and Equity	**1,616,469**	**309,824**	**107,600**	**67,771**	**2,774,386**	**4,876,050**
On-book gap	211,430	279,127	1,233,782	408,153	(2,132,492)	—
Cumulative on-book gap	211,430	490,557	1,724,339	2,132,492	—	—
Contingent assets	62,007	292	—	—	—	62,299
Contingent liabilities	37,183	—	24,584	—	—	61,767
Off-book gap	24,824	292	(24,584)	—	—	532
Net periodic gap	236,254	279,419	1,209,198	408,153	(2,132,492)	(532)
Cumulative total gap	236,254	515,673	1,724,871	2,133,024	532	—

Notes:

(1) Customer deposits maturing in one month reflect Philippine market characteristic of large numbers of short-term deposits that are generally re-deposited.

* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

** Insurance Contract and Other Liabilities for Life Insurance Contracts with maturities of more than three months to one year and more than one year to five years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

Credit Risk Management

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the Bank. The Bank manages its credit risk and loan portfolio through the RMG. The RMG undertakes several functions with respect to credit risk management, including credit analysis, risk ratings for corporate accounts, and performance monitoring of credit risk rating and scoring models for both corporate and consumer loans. It also ensures that the Bank's credit policies and procedures are adequate to meet the demands of the business.

The RMG also subjects the Bank's loan portfolio to a regular portfolio quality review, credit portfolio stress testing, and rapid portfolio reviews based on specific and potential events that may affect borrowers in particular geographic locations or industries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a regular basis and subject to an annual or more frequent review. Approvals for credit limits are secured from the Bank's Credit Committee.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. On the industry segment, set limits and exposures are monitored and reported to the RMC.

The RMG reviews the Bank's loan portfolio in line with the Bank's policy of not having significant unwarranted concentrations of exposure to individual counterparties, in accordance with the BSP's prohibitions on maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth.

Market Risk Management

The Bank's exposure to market risk, the risk of future loss from changes in the price of a financial instrument, relates primarily to its holdings in foreign exchange instruments, debt securities and derivatives. The Bank manages its risk by identifying, analysing and measuring relevant or likely market risks. The Market and Liquidity Risk Management Unit recommends market risk limits based on relevant activity indicators for approval by the Bank's RMC and BOD.

The Bank's market risk management limits are generally categorised as limits on:

- Value-at-risk (**VaR**) — The RMG computes the VaR benchmarked at a level which is a percentage of projected earnings. The Bank uses the VaR model to estimate the daily potential loss that the Bank can incur from its trading book, based on a number of assumptions with a confidence level of 99%. The measurement is designed such that exceptions over dealing limits should only arise in very exceptional circumstances.
- Stop loss — The RMG sets the amount of each risk-bearing activity at a percentage of the budgeted annual income for such activity.
- Nominal position — The RMG sets the nominal amount to prevent over-trading, excessive concentration, and to limit financial loss supplementing other already established limits.
- Trading volume — The RMG sets the volume of transactions that any employee may execute at various levels based on the rank of the personnel making the risk-bearing decision.

- Earnings-at-risk — The RMG computes the earnings-at-risk based on the repricing profile of the banking book and benchmarks against projected annual net interest income and capital.

VaR is one of the key measures in the Bank's management of market risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. The Bank uses a 99% confidence level and a 260-day observation period in VaR calculation. The Bank's VaR limit is established as a percentage of projected earnings and is used to alert senior management whenever the potential losses in the Bank's portfolios exceed tolerable levels. Because the VaR measure is tied to market volatility, it therefore allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with its risk philosophy and appetite. The VaR model is validated through back-testing. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress VaR is also performed on all portfolios as a complementary measure of risk. While VaR deals with risk during times of normality, stress testing is used to measure the potential effect of a crisis or low probability event.

Foreign Exchange Risk Management

The Bank manages its exposure to foreign exchange risk by maintaining foreign currency exposure within existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

The Bank's net foreign exchange exposure is the higher of the absolute value of the sum of net long positions or the sum of the net short positions in individual currencies, per BSP prescribed formula. The BSP imposes a cap of 25% of qualifying capital, or U.S.$150 million, whichever is lower, on a bank's consolidated net open foreign exchange position. The Bank's foreign exchange exposure is primarily limited to the day-to-day, over-the-counter buying and selling of foreign exchange in the Bank's branches as well as foreign exchange trading with corporate accounts and other financial institutions. As a major market participant in the Philippine Dealing System, the Bank may engage in proprietary trading to take advantage of foreign exchange fluctuations.

The Bank's foreign exchange exposure at end-of-day is guided by the limits set forth in the Bank's Risk Management Manual. These limits are within the prescribed ceilings mandated by the BSP. At the end of each day, the Bank reports to the BSP on its compliance with the mandated foreign currency exposure limits. In addition, it also reports to the BSP on the respective foreign currency positions of its subsidiaries.

As at 31 December 2024, the Bank's net foreign exchange exposure was U.S.$33 million inclusive of the foreign exchange position of the Bank's subsidiaries, reflecting an oversold foreign exchange position.

DESCRIPTION OF THE BANK'S ASSETS AND LIABILITIES

Funding

Sources of Funding

Deposits, bills payable and capital are the main fund sources of the Bank. The following table sets forth an analysis of the Bank's principal funding sources and the average cost of each funding source.

	As at 31 December					
	2022		2023		2024	
	Amount	Ave. cost[1]	Amount	Ave. cost[1]	Amount	Ave. cost[1]
	(in ₱ millions, except Average Cost, which is in percentage terms)					
Deposits By type						
Demand	459,511	0.1	504,763	0.1	567,904	0.1
Savings	2,077,360	0.1	2,050,709	0.1	2,143,915	0.1
Time	684,012	2.7	1,012,078	5.7	1,082,208	6.2
	3,220,883	**0.5**	**3,567,550**	**1.5**	**3,794,027**	1.9
By currency						
Philippine Peso	2,715,833	0.5	3,082,690	1.5	3,319,599	2.0
Foreign currency	505,050	0.5	484,860	1.3	474,428	1.4
Total deposits	**3,220,883**	**0.5**	**3,567,550**	1.5	**3,794,027**	1.9
Borrowings[2]						
Philippine Peso	62,614	4.0	73,814	4.1	140,019	6.5
Foreign currency	136,277	2.7	115,768	4.2	121,451	4.6
Total borrowings	198,891	**3.2**	189,582	4.2	261,470	5.5
Total	**3,419,774**	**0.7**	**3,757,132**	1.6	**4,055,497**	2.1

Notes:

(1) Average cost of funding represents total interest expense for the period, divided by the average daily liability for the respective period, expressed as a percentage.

(2) For the purposes of this table, "borrowings" consists of bills payable and subordinated notes payable.

Deposits continue to be the Bank's main funding source, accounting for 89.1%, 90.1% and 88.3% of total funding sources as at 31 December 2022, 2023 and 2024, respectively. The Bank's deposits grew from ₱3.2 trillion as at 31 December 2022 to ₱3.8 trillion as at 31 December 2024. This growth was driven by increased marketing efforts by the Bank's branches and branch expansion. Out of the Bank's total deposits as at 31 December 2024, 87.5% of was denominated in Pesos, and mostly in tenors of less than one year, while approximately 12.5% were denominated in foreign currencies, predominantly U.S. dollars. The Bank's foreign currency deposits and funding are primarily handled through its FCDU operation, which is permitted to accept deposits and extend credit in foreign currencies. As at 31 December 2022, 2023 and 2024, the Bank's foreign currency deposits made up 15.7%, 13.6% and 12.5%, respectively, of its total deposits.

As at 31 December 2022, 2023 and 2024, approximately 78.8%, 71.6% and 71.5%, respectively, of the Bank's outstanding deposits were in the form of demand and savings deposits.

The Bank also sources funds through borrowings from local and foreign banks, deposit substitutes and rediscounting facilities booked under bills payable. As at 31 December 2022, 2023 and 2024, the Bank's total bills payable amounted to ₱198.9 billion, ₱189.6 billion and ₱261.5 billion, respectively. Approximately 31.5%, 38.9% and 53.6%, respectively, of bills payable were denominated in Pesos as at 31 December 2022, 2023 and 2024.

The Bank also maintains credit lines with domestic commercial banks and financial institutions in the interbank market primarily for liquidity management purposes. Interbank borrowings are typically of short-term duration of between one day and a few weeks and have historically accounted for a relatively minor portion of the Bank's total funding requirements. The Bank is generally a net lender in the interbank call loan market and funds sourced from net interbank borrowings are minimal and generally of short duration.

The BSP is a lender of last resort to the Philippine banking industry. The Bank has not had to resort to this facility but has managed its liquidity by participation in the interbank market in the Philippines. The Bank is a member of the PDIC, which insures all deposit accounts by a depositor maintained in the same right and capacity for up to a maximum of ₱1,000,000 per depositor (which was made effective on 15 March 2025). The PDIC is funded by semi-annual assessment fees at a prescribed percentage of the Bank's deposit liabilities less certain exclusions.

Long Term Negotiable Certificates of Deposit

The Bank's time deposit liabilities include fixed rate long-term negotiable certificates of deposit (**LTNCDs**) issued by the Bank. On 27 September 2019, the Bank issued ₱6.5 billion worth of LTNCDs with a rate of 4.000% per annum and a maturity date of 27 March 2025.

Capital Raising Transactions

Peso-Denominated Senior Fixed Rate Bonds

On 28 January 2022, the Bank issued ₱52.7 billion of senior fixed rate Sustainability Bonds with a rate of 2.900% per annum and maturity date of 28 January 2024.

On 29 January 2024, the Bank issued ₱63.3 billion of fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.0% per annum and will mature on 29 July 2025.

On 24 July 2024, the Bank issued ₱55.7 billion of fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.3% per annum and will mature on 24 January 2026.

Dollar-Denominated Senior Note Issuance

As at 31 December 2023 and 2024, the outstanding balance of the Bank's U.S. Dollar-denominated notes amounted to ₱47.3 billion and ₱49.6 billion, respectively.

On 20 February 2018, the Bank issued its maiden green bond amounting to U.S.$150 million with IFC as the sole investor. The bond carried a fixed interest rate of 4.16% per annum and maturity date of 20 February 2025.

On 13 July 2020, the Bank issued Senior Notes with a face value of U.S.$600 million at a price of 99.562%. The Senior Notes will mature on 13 January 2026 and bear a fixed interest rate of 2.125% per annum. The issuance was part of the Bank's U.S.$5.0 billion Medium Term Note Program.

On 16 May 2022, the Bank issued its maiden blue bond amounting to U.S.$100 million through an investment from the IFC. The bond, which has a tenor of seven years, expanded financing for projects that help prevent marine pollution and preserve clean water resources. The issuance marked a milestone for BDO for being the first private sector issuance for a blue bond in Southeast Asia.

Liquidity

Pursuant to regulations of the BSP, universal and commercial banks are required to maintain a reserve of 7% of Peso demand deposits and deposit substitutes. The required reserves shall be kept in the form of deposits placed in the Bank's demand deposit accounts with the BSP. With the implementation of the LCR framework, banks are also required to hold sufficient HQLAs that can be easily converted into cash to cover their net cash outflow over a 30-day period. Starting 1 January 2019, banks were required to maintain 100% minimum daily LCR and to report their LCR position monthly, on a solo basis, and quarterly, on a consolidated basis. The Bank has complied with the reserve and liquidity requirements for both the Peso and FCDU books.

As at 31 December 2022, 2023 and 2024, the Bank's liquid assets amounted to ₱ 1.4 trillion, ₱1.4 trillion and ₱ 1.4 trillion, equal to 34.2%, 32.0% and 29.4%, respectively, of the Bank's total assets. Liquid assets include cash and other cash items, due from BSP, due from other banks, interbank loan receivables and investment securities.

The following table sets forth information with respect to the Bank's liquidity position as at the dates indicated:

	Audited As at 31 December		
	2022	2023	2024
Liquidity Position			
Liquid Assets (in ₱ millions)	1,394.0	1,434.6	1,433.2
Financial Ratios (%)			
Liquid Assets-to-Total Assets	34.2	32.0	29.4
Liquid Assets-to-Total Deposits	43.3	40.2	37.8
Net Loans-to-Total Deposits	83.6	80.8	86.3

Lending

As at 31 December 2022, 2023 and 2024, the Bank's total loan portfolio (net of unearned interest or discount) on a consolidated basis amounted to ₱2.7 trillion, ₱2.9 trillion and ₱3.3 trillion, respectively, representing approximately 67.2%, 64.4% and 67.1%, respectively, of its total assets as at those dates. The Bank's gross loan portfolio grew at a compounded annual growth rate of 9% from 31 December 2022 to 31 December 2024, primarily as a result of the Bank's efforts to expand its client base and encourage loan utilisation of existing clients while managing credit quality, minimising funding risk and maintaining an appropriate asset mix.

	Audited As at 31 December		
	2022	2023	2024
Loans by Major Customer Type	(**in ₱ millions**)		
Large Corporates	1,341,392	1,445,882	1,631,145
Mid-Market	673,491	724,439	806,538
Consumer	595,652	678,476	787,547
Total	**2,610,535**	**2,848,797**	**3,225,230**

Industry Concentration

Activities of private households as employers and undifferentiated goods and services and producing activities of households for own use; real estate activities; electricity, gas, steam and airconditioning supply; wholesale and retail trade; and manufacturing represent the largest sectors of the Bank's loan portfolio, representing 17.6%, 12.7%, 12.6%, 12.3%, 9.5% respectively, of the Bank's receivables from customers gross of allowance for ECL as at 31 December 2024. These sectors represented 15.9%, 12.8%, 13.0%, 12.5%, and 9.9%, respectively, of the Bank's receivables from customers gross of allowance for ECL as at 31 December 2023.

Under guidelines established by the BSP, the BSP considers that concentration of credit exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio or 10% of Tier 1 capital.

The following table sets forth an analysis of the Bank's loan portfolio (net of unearned interest or discount) by economic activity, as defined and categorised by the BSP:

	As at 31 December					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(**in ₱ millions, except percentages**)					
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	395,825	15.2	453,579	15.9	567,360	17.6
Real estate activities	324,074	12.4	363,830	12.8	410,256	12.7
Electricity, gas, steam and air-conditioning supply	281,036	10.8	369,626	13.0	405,938	12.6

	As at 31 December					
	2022		2023		2024	
	Amount	%	Amount	%	Amount	%
	(in ₱ millions, except percentages)					
Wholesale and retail trade	395,825	15.2	356,962	12.5	397,620	12.3
Manufacturing	232,488	8.9	282,334	9.9	306,987	9.5
Financial and insurance activities	402,156	15.4	272,746	9.6	256,720	8.0
Information and communication	90,342	3.5	120,710	4.2	163,332	5.1
Transportation and storage	87,256	3.3	111,991	3.9	158,473	4.9
Construction	90,712	3.5	96,994	3.4	103,261	3.2
Arts, entertainment and recreation	83,076	3.2	72,606	2.5	82,198	2.6
Education	71,731	2.7	74,033	2.6	82,186	2.6
Water supply, sewerage, waste management and remediation activities	38,760	1.5	46,112	1.6	52,768	1.6
Accommodation and food service activities	36,528	1.4	41,499	1.5	45,403	1.4
Human health and social service activities	31,875	1.2	34,431	1.2	39,406	1.2
Agriculture, forestry and fishing	15,642	0.6	33,163	1.2	35,865	1.1
Mining and quarrying	10,578	0.4	14,688	0.5	16,146	0.5
Administrative and support services	9,581	0.4	10,056	0.4	10,226	0.3
Professional, scientific, and technical activities	9,912	0.4	8,223	0.3	9,210	0.3
Public administrative and defense; compulsory social security	1,030	0.0	1,159	0.0	1,069	0.0
Other service activities	2,108	0.1	84,055	3.0	80,806	2.5
Total	**2,610,535**	**100.0**	**2,848,797**	**100.0**	**3,225,230**	**100.0**

The Bank maintains a flexible policy towards its exposure to various industries, in principle avoiding exposure of more than 20% to a particular industrial sub-sector of the economy, and 30% in the case of the manufacturing sub-sector. The distribution of the Bank's loan portfolio by industry is also subject to seasonal fluctuations.

Maturity

The following table sets forth an analysis of the Bank's receivables from customers (net of unearned interest or discounts) by maturity:

	As at 31 December					
	2022		2023		2024	
	Amount	per cent.	Amount	per cent.	Amount	per cent.
	(in ₱ millions, except percentages)					
Due within one year	663,315	25.4	890,953	31.3	1,054,600	32.7
Due within one to five years	390,760	15.0	1,095,419	38.5	1,139,230	35.3
Due beyond five years	1,556,460	59.6	862,425	30.3	1,031,400	32.0
Total	**2,610,535**	**100.0**	**2,848,797**	**100.0**	**3,225,230**	**100.0**

Loan Currencies

As at 31 December 2022, 2023 and 2024, 89.1%, 91.0% and 91.8%, respectively, of the Bank's loan portfolio were denominated in Pesos and 10.9%, 9.0% and 8.2%, respectively, were denominated in foreign currency, a substantial proportion of which was denominated in U.S. Dollars.

	As at 31 December					
	2022		2023		2024	
	Amount	per cent.	Amount	per cent.	Amount	per cent.
	(in ₱ millions, except Percentages)					
Peso	**2,325,826**	**89.1**	**2,591,026**	**91.0**	**2,959,317**	**91.8**
Foreign	**284,709**	**10.9**	**257,771**	**9.0**	**265,913**	**8.2**
USD	276,699	10.6	251,270	8.8	260,760	8.1
Yen	414	0.0	440	0.0	274	0.0
Others	7,596	0.3	6,061	0.2	4,879	0.2
Total	**2,610,535**	**100.0**	**2,848,797**	**100.0**	**3,225,230**	**100.0**

Interest Rates

As at 31 December 2024, a substantial portion of the Bank's total loan portfolio was on a floating interest basis. Loan pricing is set by the Bank's asset and liability committee on a weekly basis, and is driven by market factors, the Bank's funding position and the credit risk associated with the relevant borrower. The Bank sets interest rates for Peso-denominated loans based on the Bloomberg Valuation (**BVAL**) rate, and for U.S. dollar-denominated loans based on the U.S. Dollar Secured Overnight Financing Rate (**SOFR**). The margins on these interest rates, which range from 1% to 5%, are determined by reference to the credit risk of the relevant borrower.

The Bank's pricing policy with respect to its interest-bearing liabilities is also handled by the ALCO during its weekly meetings. CASA deposits typically pay no interest for deposits falling below a minimum maintaining balance. The basic rate of regular Peso savings account deposits that are above the minimum threshold is 0.0625% per annum.

The Bank actively manages interest rate risk by monitoring current market interest rates and assessing the impact of changes in interest rates on the Bank's net interest income. See "— Risk Management — Interest rate risk management" below.

Size and Concentration of Loans

The BSP imposes a limit on the size of a bank's financial exposure to any single person or group of connected persons to 25% of the bank's net worth (the Single Borrower's Limit or SBL). This limit does not apply to the following loans: (a) those secured by obligations of the BSP or of the Government; (b) those fully guaranteed by the Government as to the payment of principal and interest; (c) those secured by U.S. treasury notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted credit rating agencies; (d) those to the extent covered by the hold-out or assignment of deposits maintained in the lending bank and held in the Philippines; (e) those under letters of credit to the extent covered by margin deposits; and (f) those which the Monetary Board may, from time to time, specify as non-risk items. As at 31 December 2024, the Bank's SBL was ₱151 billion. The Bank has complied with this SBL for all of its loans.

As at 31 December 2022, 2023 and 2024, the Bank's ten largest borrowers accounted for ₱332 billion, ₱383 billion and ₱421 billion, respectively, or 12.7%, 13.5% and 13.0% of the Bank's outstanding loan portfolio of ₱2.6 trillion, ₱2.8 trillion and ₱3.2 trillion (excluding interbank loans).

The following sets forth a breakdown of total loans by principal amount as at 31 December 2024:

Principal amount of loans (in Pesos)	**Percentage (per cent.)**
Less than 5,000,000	22
5,000,001 to 10,000,000	4
10,000,001 to 15,000,000	2
More than 15,000,000	72
Total	**100**

Secured and Unsecured Loans

The Bank principally focuses on cash flows in assessing the creditworthiness of borrowers. However, it will secondarily seek to minimise credit risk with respect to a loan by requiring borrowers to pledge or mortgage collateral to secure the payment of loans. Where it has determined that collateralisation of a loan is desirable, the Bank's policy is to secure the full amount of the loan. As at 31 December 2022, 2023 and 2024, approximately 19.8%, 17.9% and 17.7%, respectively, of total loans were extended on a secured basis. Approximately 65.7%, 70.0% and 74.0%, respectively, of these secured loans are backed by real estate mortgages for each period.

The Bank's general policy with respect to securing loans is to over secure. With respect to loans secured by real estate mortgages, in accordance with BSP guidelines, the Bank's policy is that the maximum value of such loans should not be in excess of 80% of the assessed value of the property provided as security for such loans. The Bank appraises real estate collateral using internal appraisers, but utilises external appraisers for loans that are syndicated or involve sharing of collateral among lenders.

Credit Rating/Scoring System

The Bank has credit rating/scoring systems in place to assess the credit risk associated with a prospective or existing loan account for both the corporate and consumer lending business. The Bank's credit rating system uses a combination of quantitative and qualitative factors, which generally assess the financial position of the borrower.

For corporate or commercial borrowers with asset size in excess of ₱15.0 million, an internal credit risk rating system is used to evaluate creditworthiness by assessing the financial position of the borrower, its overall management, quality of operations, borrower condition (e.g., payment history and borrower behavior), and considers the facility structure and collateral/security arrangements.

For SME borrowers with asset size of up to ₱15.0 million, a credit scoring system is used to evaluate creditworthiness. It consists of factors related to both customer and collateral.

The RMG conducts the credit risk rating review for borrowing accounts with facilities of ₱20.0 million and over (within a defined set of criteria). For those not within their coverage, the credit rating review is conducted by the relationship manager in the Institutional Banking Group. The Bank updates the rating of an existing loan account regularly upon renewal of credit facilities, stand-alone term loan reviews, increases in credit exposures or when there are changes in the collateral structure of the facilities. However, the Bank may adjust the credit rating within a shorter period if there are identified factors which could affect the borrower's credit quality, or the Bank becomes aware of any adverse development with respect to the borrower or secured collateral.

On the other hand, application and behavior scorecards are adopted for the consumer loans portfolio. The scorecards are used for adjudication of new loan applications as well as in account management such as credit line increases and renewal.

Credit Approval Process

Before the Bank approves any extension of credit, the Bank first identifies the needs of the prospective borrower, analyzes the appropriateness of the exposure and evaluates any inherent risks. The Bank assigns an account officer to every prospective borrower to start the credit approval process. The account officer identifies the borrowing requirements of the client and assists in the preparation of the loan application together with the

required documentary support. The account officer further determines whether a property appraisal is warranted and, if so, is involved in overseeing the appraisal process. The account officer also conducts bank checking and credit reviews of the prospective borrower with the assistance of the credit support units. For borrowers from the middle-market segments, the account officer will pay particular attention to validating the borrower's financial position from different information sources. For transactional lending, the account officer may focus more on the size and quality of cash flows from the transaction, and less on the financial position of the borrower itself.

The Executive Committee, which includes the Bank's Chairperson, the President, Bank Directors and Senior Credit Executives, undertakes the analysis and evaluation of the credit proposal based on the recommendations of the senior credit officers. The Executive Committee deliberates on the viability of the credit proposal in general, but, more particularly, on the appropriateness of the credit extension and risks involved.

Credit Monitoring and Review Process

Pursuant to the MORB, the Bank is required to establish a system of identifying and monitoring existing or potential problem loans and other risk assets and of evaluating credit policies with regard to prevailing circumstances and emerging portfolio trends. In compliance with this requirement, the Bank has established credit support units under the RMG to review and monitor individual accounts within a particular portfolio to identify existing and potential areas at deterioration and assess the risks involved. In addition, the credit support units evaluate the degree to which a particular lending unit is complying with existing credit management policies.

The evaluation of the individual loan accounts culminates in the classification of the account. The classification indicates the degree or gravity of the perceived problems of the account reviewed. The reviewed loan accounts are classified in accordance with the standard classifications set forth in the MORB.

The review and recommended classification of a loan account are sent for comments to the assigned account officer and thereafter forwarded to the applicable unit head and respective heads of Corbank and Combank for further review. Either the Bank's President, Vice Chairman or RMG head may give final approval of a loan account's classification.

The Bank and its subsidiaries will, from time to time and in the ordinary course of business, enter into loans with DOSRI. All such loans are on commercial, arm's length terms. The General Banking Law (Republic Act No. 8791) and BSP regulations require that the total outstanding loans, other credit accommodations and guarantees to DOSRI shall not exceed 100% of the Bank's net worth or 15% of the Bank's total loan portfolio, whichever is lower. The amount of any loan to a DOSRI of the Bank, of which 70% must be secured, may not exceed the aggregate amount of their unencumbered deposits with the Bank and the book value of their paid-in capital investments in the Bank. The Bank is required to report the level of DOSRI loans to the BSP on a weekly basis.

As at 31 December 2022, 2023 and 2024, DOSRI loans accounted for ₱23.4 billion, ₱27.8 billion and ₱19.0 billion, respectively, or approximately 0.9%, 1.0% and 0.6% respectively, of the Bank's total loans. Of those amounts, ₱21.1 billion, ₱25.4 billion and ₱16.2 billion (which includes secured non-risk loans not subject to SBL ceiling), respectively, were accounted for by the SM Group as at 31 December 2022, 2023 and 2024, respectively.

Loan Loss Provisioning

The Bank classifies loans as non-performing in accordance with the guidelines of the BSP, which require banks to classify their loan portfolios based on perceived levels of risk to encourage timely and adequate management action to maintain the quality of their loan portfolios. These classifications are then used to determine the minimum levels of allowances for loan losses which banks are required to maintain.

For corporate and commercial loans, the Bank classifies non-performing loans based on four different categories established by the BSP, which correspond to levels of risk:

- "Loans especially mentioned" are loans which the Bank believes have potential weaknesses that deserve management's close attention, and which deficiencies, if left uncorrected, could affect repayment;
- "Substandard" loans are those which the Bank believes involve a substantial and unreasonable degree of risk to the Bank;

- "Doubtful" loans are those for which the Bank believes collection in full, either according to their terms or through liquidation, is highly improbable, and substantial loss is probable; and
- "Loss" loans are those which the Bank believes are impossible to collect or are worthless.

The appropriate classification is generally made once payments on a loan are in arrears for more than 90 days, but may be made earlier when the loan is not yet past due under certain circumstances, including where there is defective documentation with respect to the loan. Once interest on a loan is past due for 90 days, the Bank will create a provision in respect of the interest accrued during the 90-day period and classify the entire principal outstanding under such loan as past due, and it may initiate calling on all loans outstanding to that borrower as due and demandable.

The RMG monitors compliance with BSP regulations with regard to loan loss provisioning. The Bank reviews its risk assets on a portfolio basis at least annually and, since June 2004, by account on a monthly basis in accordance with prescribed policy guidelines and the relevant BSP categorisation.

The following is a summary of the risk classification of the Parent Bank's aggregate loan portfolio (as a percentage of total outstanding loans):

	Audited As at 31 December					
	2022		2023		2024	
	Amount	per cent.	Amount	per cent.	Amount	per cent.
	(in ₱ millions, except Percentages)					
Classified						
Loans especially mentioned	51,424	2.0	42,958	1.6	32,187	1.0
Sub-standard	17,072	0.7	25,490	0.9	29,643	1.0
Doubtful	6,581	0.3	12,716	0.5	15,106	0.5
Loss	27,181	1.1	26,681	1.0	29,046	0.9
Total classified	102,258	4.1	107,845	3.9	105,982	3.4
Unclassified	2,421,237	95.9	2,649,632	96.1	2,994,525	96.6
Total	**2,523,495**	**100.0**	**2,757,477**	**100**	**3,100,507**	**100**

The Bank's allowance for loan impairments is made up of a specific component and a general unallocated component. For corporate loans, the specific component is based on the Bank's classification of individual loans as described above. The general component represents a blanket reserve required by the BSP, equivalent to 1% of the outstanding balance of unclassified loans other than restructured loans less non-risk loans, and 5% of the outstanding balance of unclassified restructured loans less the outstanding balance of restructured non-risk loans.

The Board has discretion as to how frequently it writes off its classified loans, provided that these are made against provisions for probable losses or against current operations. Prior BSP approval is required to write off a DOSRI loan account.

Past-due accounts of both Corbank and Combank are initially placed on a "watch list" for closer monitoring and supervision. Past-due loans are then referred to the Bank's Remedial Management Unit if the Bank has determined (i) such loans to be uncollectible, (ii) to terminate its relationship with the borrower or (iii) recovery of such loans will require special management.

Expected Credit Loss (ECL)

The Bank measures loss allowances based on ECL. At the end of the reporting period, the Bank assesses its ECL on a forward-looking basis by considering a broad range of information in assessing credit risk and measuring ECLs, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The key elements used in the calculation of ECL are as follows:

- Probability of Default (**PD**) – an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- Loss Given Default (**LGD**) – an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD), or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those the Bank would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.
- Exposure at Default (**EAD**) – represents the gross carrying amount of the financial instruments subject to impairment calculation; hence, this is the amount that the Bank expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In case of a loan commitment, the Bank shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur, unless the drawdown after default will be mitigated by the normal credit risk management actions and policies of the Bank.

Remedial Management

The Remedial Management Unit directly supervises the management of past due loans that are referred to it. For problem loans management, the Bank has two specialised remedial management units to handle corporate/commercial loans and consumer loans. A problem account is assigned to an account officer who evaluates, determines and proposes the appropriate remedial recourse available to the Bank. Commercial solutions instituted include restructuring, payment arrangements, reduction of loan to serviceable level via sale of collateral and/or unencumbered assets or dacion en pago (payment in kind). In case a commercial solution ceases to be feasible, the Bank undertakes legal action, through its legal department, for either foreclosure of loan collateral or criminal/civil collection suits.

Foreclosed assets and assets conveyed to the Bank via dacion en pago goes to Bank's ROPA Management Team which monitors redemption, possession and consolidation of acquired properties. From past due loans, acquired assets are classified as ROPA. Eventually, an acquired property goes up for sale signaling end of the remedial process.

Taking into account cash or non-cash payments that can be derived from the borrower, account officers review and continually assess impaired values of each problem account. Furthermore, they compute for the present value of an account's expected/potential collection to determine any impairment in value. The impaired value is then compared with the credit classification and booked provision. Any adjustment, if necessary, is made accordingly.

All remedial actions require approval of the Bank's Management Credit Committee or Executive Committee depending on the amount of obligation and/or complexity of remedial action. Disposition of the Bank's acquired assets, likewise requires approval of the Executive Committee.

NPLs and ROPA

The table below sets forth details of the Bank's NPLs, non-accruing loans, ROPA, non performing assets (as described below), restructured loans and write-offs for loan losses for the specified periods:

	As at 31 December		
	2022	2023	2024
	(in ₱ millions, except ratios, which are in percentages)		
Gross non-performing loans[1]	53,114	53,967	60,453
Net non-performing loans[1]	21,365	20,542	23,670
Total loans[1]	2,736,677	2,923,990	3,310,302
Gross non-performing loans to total loans (%)[1]	1.94	1.85	1.83
Net non-performing loans to total loans (%)[1]	0.78	0.70	0.72
ROPA — net	17,109	15,125	16,349
Non-performing assets[5]	70,422	69,092	76,802
Non-performing assets as percentage of total resources (%)	1.73	1.54	1.58
Allowance for impairment of assets	74,886	84,061	89,238

	As at 31 December		
	2022	2023	2024
	(in ₱ millions, except ratios, which are in percentages)		
Allowance for loan impairments[6]	72,976	82,159	87,659
Allowance for ROPA impairments	1,911	1,902	1,580
Allowances for loan impairments as a percentage of total non-performing loans (%)	136.9	152.2	145.0
Allowances for impairment of assets as a percentage of non-performing assets (%)	106.3	121.7	116.2
Total restructured loans	102,415	83,467	72,591
Current	91,793	70,646	55,131
Past due	10,571	12,769	17,411
In litigation	52	52	49
Restructured loans as percentage of total loans (%)	3.74	2.85	2.19
Write-offs	8,443	6,187	8,891

Notes:

(1) Per BSP Circular 941. Excludes accrued interest receivables, unearned interests or discounts, and capitalised interest.

(2) Non-performing assets comprise ROPA (gross) and non-performing loans.

(3) Includes amount of appropriation to surplus reserves for general loan loss portfolio.

The Bank classifies loans as past due upon the occurrence of certain non-payment events, and then reclassifies such loans as "non-accruing" or "non-performing" upon continuing non-payment or payment default, in accordance with BSP guidelines. In the case of loans requiring repayment of principal at maturity or scheduled payment of principal or interest due quarterly (or longer), failure to make such payment on the due date triggers non-performing classification. In the case of loans requiring payment of principal or interest on a monthly basis, continued failure to make payment for three months from the due date triggers non-performing classification.

As at 31 December 2024, the Bank's ten largest NPLs amounted to ₱8.1 billion or approximately 0.3% of the Bank's total loans.

Sectorial analysis of non-performing loans

The following table sets forth, as at the dates indicated, the Bank's gross NPLs by the respective borrowers' industry or economic activity and as a percentage of the Bank's gross NPLs:

	As at 31 December					
	2022	per cent.	2023	per cent.	2024	per cent.
	(in ₱ millions, except percentages)					
Agriculture, forestry and fishing	1,060.8	2.0	1,107.6	2.0	1,867.8	3.0
Mining and quarrying	40.5	0.1	53.0	0.1	47.4	0.1
Manufacturing	5,209.3	9.6	5,203.4	9.5	9,141.8	14.9
Electricity, gas, steam and air-conditioning supply	22.1	0.0	22.2	0.0	6.7	0.0
Water supply, sewerage, waste management and remediation activities	5.5	0.0	5.1	0.0	4.2	0.0
Construction	5,734.3	10.6	6,179.5	11.3	1,488.4	2.4
Wholesale and retail trade	6,170.5	11.4	6,428.4	11.7	7,697.8	12.5
Transportation and storage	1,342.2	2.5	1,191.2	2.2	1,030.3	1.7
Accommodation and food services activities	369.0	0.7	233.1	0.4	182.5	0.3
Information and communication	868.4	1.6	854.1	1.6	819.0	1.3
Financial and insurance activities	52.3	0.1	54.8	0.1	111.8	0.2
Real estate activities	206.1	0.4	255.3	0.5	201.8	0.3
Professional, scientific and technical services	461.9	0.9	441.7	0.8	341.4	0.6
Administrative and support services	723.2	1.3	678.7	1.2	701.3	1.1
Public administrative and defense; compulsory social security	23.4	0.0	28.7	0.1	30.8	0.1
Education	725.0	1.3	955.8	1.7	1,145.1	1.9

	As at 31 December					
	2022	per cent.	2023	per cent.	2024	per cent.
	(in ₱ millions, except percentages)					
Human health and social work activities	127.6	0.2	152.0	0.3	168.1	0.3
Arts, entertainment and recreation	36.0	0.1	36.1	0.1	18.7	0.0
Other service activities	8,613.6	15.9	6,835.0	12.5	5,940.3	9.7
Activities of private household as employers and undifferentiated goods and services	22,241.4	41.2	24,053.8	43.9	30,405.2	49.6
Activities of extraterritorial organisations and bodies	0.0	0.0	0.0	0.0	0.0	0.0
Total	**54,033.1**	**100.0**	**54,769.5**	**100.0**	**61,350.4**	**100.0**

Loans that are subsequently foreclosed or transferred to the Bank's ROPA account are removed from the non-performing category. Accrued interest arising from a loan account is classified according to the classification of the corresponding loan account. In accordance with BSP guidelines, loans and other assets in litigation are classified as non-performing assets. The Bank's non-performing assets principally comprise ROPA and NPLs.

Foreclosure and Disposal of Assets

The Bank's preferred strategy for managing its exposure to NPLs that are secured is to restructure the payment terms of such loans. The Bank will only foreclose on an NPL if restructuring is not feasible or practical, or if the borrower cannot or will not repay the loan on acceptable terms. In the case of larger loans, the Bank may also consider accepting a dacion en pago arrangement.

In the year ended 31 December 2024, the Bank sold ₱3.4 billion of acquired assets in ROPA. The Bank had a net ROPA of ₱17.1 billion, ₱42.4 billion and ₱33.8 billion, as at 31 December 2022, 2023 and 2024, consisting of various real estate properties and shares of stock in several companies.

Under the current regulations, the Bank is required to conduct impairment testing on its acquired assets, which becomes the basis for the provisioning levels. The Bank's valuation reserves on ROPA amounted to ₱1.9 billion, ₱1.9 billion and ₱1.6 billion, as at 31 December 2022, 2023 and 2024, respectively.

MANAGEMENT, EMPLOYEES AND SHAREHOLDERS

EMPLOYEES

Employees

As at 31 December 2024, the Bank employed a total of 44,044 individuals, 23,321 of whom were engaged in a professional managerial capacity and classified as Bank officers.

Bank staff employees, other than those expressly excluded in the Collective Bargaining Agreement (**CBA**), are represented by the Banco De Oro Employees Association (the **Union**), an affiliate of the Associated Labor Unions. The Bank's CBA is in effect for a period of five years from 1 November 2020 to 31 October 2025 in so far as the representation aspect is concerned. Ratification by covered employees in the National Capital Region and provincial areas was conducted on 13 December 2020 with overwhelming acceptance from the Union members. Discussion on the renewal of economic provisions for the covered period 1 November 2023 to 31 October 2025 was successfully concluded.

The Bank has not suffered any strikes since it started operations, and the management of the Bank considers the maintenance of harmonious relations with its employees and the Union as one of its key human capital agenda.

The mandatory retirement age for the Bank is 60 years.

The aggregate compensation paid to employees by the Bank for the years ended 31 December 2022, 2023 and 2024 were ₱43.1 billion, ₱46.7 billion and ₱53.1 billion, respectively.

The Bank maintains a tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all of its qualified employees. Actuarial valuations are made every two years to update the retirement benefit costs and the amount of contributions. As at 31 December 2024, the fair value of the retirement plan assets of the Bank was ₱71.0 billion and the present value of the obligation was at ₱63.8 billion. After expenses and contributions made relative to the Bank's retirement fund, the Bank recognised a retirement benefit asset of ₱6.7 billion as at 31 December 2024.

Employee Insurance

The Bank provides its employees with group life insurance coverage, and group personal accident insurance which covers accidental death and dismemberment, in line with good business practice and in accordance with Philippine standards. Insurance premium payments for these policies are paid entirely by the Bank.

MANAGEMENT

Board of Directors

The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Bank. It is also responsible for the proper administration and management of the Bank's trust business.

The following table sets forth the persons who served as a Director of the Bank as at 31 December 2024:

Name	Position	No. of Years as Director
Teresita T. Sy	Chairperson / Non- Executive Director	first term: 28; second term: 17
Nestor V. Tan	Director/President and CEO	26
Dioscoro I. Ramos	Lead Independent Director	8

Name	Position	No. of Years as Director
George T. Barcelon	Independent Director	5
Estela P. Bernabe	Independent Director	2
Vipul Bhagat	Independent Director	2
Franklin M. Drilon	Independent Director	1
Alfredo E. Pascual	Independent Director	4 months
Vicente S. Pérez, Jr.	Independent Director	5
Jones M. Castro, Jr.	Non-Executive Director	12
Josefina N. Tan	Non-Executive Director	first term: 4; second term: 17

Teresita T. Sy, has been a member of the Board of Directors of the Bank since 1977, and currently serves as Chairperson of the Board. Concurrently, she serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO: BDO Private Bank, BDOFC, BDO Capital, BDO Foundation, and BDO Life. Ms. Sy also serves as Advisor to the Board of BDO Network.

Ms. Sy is the Vice Chairperson of SM Investments Corporation and Advisor to the Board of SM Prime Holdings, Inc. She also sits as Chairperson of the Board of SM Retail, Inc. A graduate of Assumption College with a degree in Bachelor of Arts and Science in Commerce major in Management, she brings to the board her diverse expertise in banking and finance, retail merchandising, mall and real estate development

Nestor V. Tan, is the President and CEO of BDO Unibank, Inc. He was elected to the Board of Directors on 27 June 1998. In addition to his role in the Bank, he also holds the following positions in the BDO Group: Chairmanship of BDOSHI. and BDO Network; Vice chairmanships and/or directorships in BDO Capital, BDOFC, BDO Life, and BDO Private Bank; and Trusteeship of BDO Foundation.

In addition, he is the Chairman of Bancnet, the operator of the electronic payment system, InstaPay, and the ATM switching utility for Philippine banks; and Chairman of Mastercard Asia Pacific Advisory Board. He is the past President, Chairman and Director of the Bankers Association of the Philippines. He is currently Trustee of De La Salle Medical & Health Science Institute and the former Chairman of the De La Salle University Board of Trustees.

Prior to joining BDO Unibank, Mr. Tan was Chief Operating Officer of the Financial Institutions Services Group of BZW, the investment-banking subsidiary of the Barclays Group. His banking career spans nearly four (4) decades and includes posts at global financial institutions, among them Mellon Bank in Pittsburgh, PA; Bankers Trust Company in New York, NY; and the Barclays Group in New York and London. He holds a bachelor's degree in Commerce from De La Salle University and an MBA from the Wharton School, University of Pennsylvania.

Dioscoro I. Ramos, was elected to the Board of Directors of the Bank on 9 January 2016 and was appointed Lead Independent Director on 23 April 2021. Mr. Ramos concurrently holds Independent Director positions in BDO Private Bank and BDO Securities. Mr. Ramos has been the Chief Executive Officer & Chief Investment Officer of RY&S Investments Ltd., Hong Kong since 28 September 2012. He was Head of Asia Financials Investment Research of Goldman Sachs Asia, LLC, Hong Kong from 1994 to 2011, and appointed Managing Director in 1998 and Partner in 2006. Prior to that, he was with Mellon Bank, N.A. with postings in Pittsburgh, Philadelphia, New York, and Hong Kong. Mr. Ramos is a Certified Public Accountant (**CPA**). He holds a Bachelor of Science degree in Business Administration and Accountancy, cum laude, from the University of the Philippines; and a master's degree in Business from Wharton School, University of Pennsylvania.

George T. Barcelon, was elected Independent Director of BDO on 22 April 2019. He is currently the Chairman of the Philippine Chamber of Commerce and Industry (**PCCI**). He is the visionary behind Integrated Computer Systems, Inc. (ICS), one of the Top 1000 companies based in the Philippines, dedicated to providing effectual IT Solutions for small to large-scale businesses and institutions. For 45 years, ICS has provided its customers with technological expertise and quality services. As the president of a company with 400 employees whose success depends on uncompromising leadership, imagination, and careful quality control, Mr. Barcelon seeks to promote the values of Integrity, Commitment, and Service Quality, the cornerstones upon which ICS was built. He is also

a board member of the Cardinal Medical Charities Foundation, Inc. in San Juan City, Philippines; and is involved in other business ventures and organizations. Mr. Barcelon graduated cum laude from De La Salle University, Manila and received a bachelor's degree in Chemical Engineering.

Estela P. Bernabe, was appointed as Independent Director of BDO effective 31 July 2022. Prior thereto, she was Senior Associate Justice of the Supreme Court of the Philippines. She served the Judiciary for 26 years as Justice of the Supreme Court and Court of Appeals, Judge of the Regional Trial Court of Makati City and Metropolitan Trial Court of the same city, and as Technical Assistant in the Office of the Court Administrator, Supreme Court of the Philippines. She also worked in various private and government offices, namely, China Banking Corporation, Paramount Finance Corp., National Home Mortgage and Finance Corp. and Bernabe Perlas Morte and Associates. She has over 40 years of experience in public and private legal practice. She earned her Bachelor of Science degree in Commerce (Banking and Finance) and graduated magna cum laude from St. Paul College of Manila, and obtained her law degree from the Ateneo de Manila University College of Law, graduating as class salutatorian.

She is also an Independent Director of San Miguel Food and Beverage, Inc. effective 3 August 2022, Petrogen Insurance Corporation effective 23 March 2023, Converge Information and Communications Technology Solutions, Inc. effective 26 May 2023, Philippine Judicial Academy (**PHILJA**) Development Center, Inc. effective 13 November 2023, and was elected member of the Board of Trustees of the Foundation for Liberty and Prosperity on 6 December 2022.

Vipul Bhagat, was appointed as Independent Director of BDO on 8 January 2022. Mr. Bhagat is a seasoned banking and finance professional with significant experience living and working globally, particularly, in the emerging markets over a 35+ years span. With development banking, investment and advisory experience with the IFC, most recently as Global Client Leader, he pioneered many firsts. Having lived in, while running various aspects of IFC in several emerging markets, (including Philippines, Thailand, China and India), he has deep on the ground expertise geared towards delivering Impact through investment and advisory interventions, especially in the financial and infrastructure sectors. He was a part of the management team of IFC's Climate Business and Public Private Partnership (**PPP**) Departments which innovated blended finance approaches for meaningful transactions.

Mr. Bhagat's private sector experience includes stints with Deutsche Bank, Fannie Mae, and KPMG. He is a Chartered Financial Analyst (**CFA**) and a CPA, with an MBA in Finance and Management from the Wharton School of the University of Pennsylvania. He also holds a BS in Computer Science. In December 2023, he was appointed a Visiting Fellow at the University of Cambridge (UK) Judge Business School.

Currently, he is a Board Member of a top tier US-regulated financial institution with a $6B asset base (Bank-Fund Staff Federal Credit Union); Chairman of the Board of a US-based social enterprise (VisionSpring) providing eye care to poor and lower income segments in developing countries; Senior Adviser to a leading infrastructure consulting firm; Founding Advisory Board Member of the Wharton Alumni Club in Washington, DC and has served on various Boards and Advisory Committees of emerging market Corporates and Funds over the years.

Franklin M. Drilon, was elected Independent Director of the Bank on 25 October 2023. He served in two (2) different branches of government in various capacities from 1987 to 2022. In the Senate, he served as Senate President, Majority Leader, Minority Leader and Chairperson of the Committee on Finance, as well as the Committee on Banks, Financial Institutions, and Currencies. In the Executive, he served as Executive Secretary, Secretary of the Department of Justice and the Department of Labor and Employment. He is one of the country's highly decorated Senators having served four (4) non-consecutive terms as Senator of the Philippines. He authored and sponsored numerous landmark laws including the GOCC Governance Act of 2011, Foreign Investments Act, Tax Incentives and Transparency Act and the Revised Corporation Code, to name a few.

He also served as Chairman of Philippine National Bank and as a Director of Land Bank of the Philippines. He thus brings added perspectives on Philippine finance and banking policy, regulations and operations. He is currently a Director of Phinma Education Holdings, Inc. and a Senior Counsel of ACCRA Law. He earned his Bachelor of Arts in Political Science, law degree and Doctor of Laws from the University of the Philippines Diliman. He placed third in the 1969 Bar Examinations and worked as a private practice lawyer before joining the government

Alfredo E. Pascual, was elected Independent Director of BDO on 31 August 2024. From June 2022 to August 2024, he served as the Secretary of Trade and Industry, where he played a pivotal role in steering the Philippines through significant economic growth amid global challenges. Before joining the government, he was the President of the Management Association of the Philippines (**MAP**).

His commitment to good governance is evident through his leadership roles in various organizations. He was the Lead Independent Director of SM Investments Corporation and held independent director positions at Megawide Construction and Concepcion Industrial. Additionally, he served as the President and CEO of the Institute of Corporate Directors (**ICD**) and a Board Trustee of the Institute for Solidarity in Asia (**ISA**).

Mr. Pascual's career spans over five decades and is marked by transformative leadership in the public and private sectors, locally and internationally. From 2011 to 2017, he led the University of the Philippines as its 20th President, modernizing it and raising its global profile. He worked at the Asian Development Bank (**ADB**) for 19 years in various capacities, including Director for Private Sector Operations. At ADB, he promoted PPPs in infrastructure and investments in financial institutions across Asia. He represented ADB on the board of over a dozen portfolio companies in banking, venture capital, and manufacturing. Mr. Pascual was a finance professor at the Asian Institute of Management during the 1980s.

His contributions to governance and education have earned him numerous accolades, including honorary doctorates and the Presidential Lingkod Bayan Award. Mr. Pascual holds a Master of Business Administration and a Bachelor of Science in Chemistry (cum laude) from the University of the Philippines.

Vicente S. Pérez, Jr., was elected Independent Director of BDO on 22 April 2019. He is currently Chairman of Alternergy, a publicly listed wind, solar and run-of-river power developer and an Independent Director of DoubleDragon Corporation (formerly DoubleDragon Properties Corporation), a real estate developer. He is also a Non-Executive Director of Singapore Technologies Telemedia Pte Ltd. (Singapore), and its subsidiary STT Communications Ltd. (Singapore). He is a member of the Advisory Boards of Bhutan Foundation, New Zealand Trade and Enterprise, Geneva-based Pictet Clean Energy Fund, and the Yale Center for Business and the Environment. In September 2020, he was appointed Honorary Consul of the Kingdom of Bhutan in the Philippines. He was Philippine Energy Secretary from 2001 to 2005. Mr. Pérez briefly served in early 2001 as Undersecretary at the Department of Trade and Industry and as Managing Head of the Board of Investments. Prior to his government service, Mr. Pérez had 17 years banking experience, first in Latin America debt restructuring at Mellon Bank in Pittsburgh, and later in debt capital markets in emerging countries at Lazard in London, New York and Singapore. At 35, he became General Partner at New York Investment Bank Lazard Frères as head of its Emerging Markets Group. He was Managing Director of Lazard Asia in Singapore from 1995 until 1997, when he co-founded Next Century Partners, a private equity firm based in Singapore. In 2005, he was briefly a government appointed director of Philippine National Bank until its privatization. He also has affiliations in other sectors and organizations. Mr. Pérez obtained an MBA from the Wharton Business School of the University of Pennsylvania in 1983 and a bachelor's degree in Business Economics from the University of the Philippines in 1979. He was a 2005 World Fellow at Yale University where he lectured an MBA class at the Yale School of Management.

Jones M. Castro, Jr, was elected to the Board of Directors of the Bank on 20 April 2012. He was Lead Independent Director of BDO from 7 December 2013 to 23 April 2021. Mr. Castro has 51 years of banking expertise, with 44 years of international banking experience. From 2009 to 2011, Mr. Castro was the Area Head for South and Southeast Asia of Wells Fargo Bank, San Francisco. As Area Head, Mr. Castro had responsibility for 12 countries and managed 11 overseas offices with a total of 102 team members, and US$3 billion in loans. From 2006 to 2009, Mr. Castro was Regional Head for Latin America 1, including the Caribbean, of the Wachovia Bank in Miami, and likewise had responsibility for 25 countries, 3 overseas offices, 30 team members, and a US$1.8-billion loan portfolio. From 2005 to 2006, he was Executive Vice President and International Banking Group Head of the Union Bank of California, San Francisco. From 1990 to 1994, he was Senior Vice President – Controller of Bank of California, San Francisco, and from 1994 to 1997, he was its Senior Vice President of Strategic Planning in Office of the President. Mr. Castro is currently Trustee of Philippine Development Foundation (PhilDev) USA, Trustee of Philippine S&T Development Foundation - Manila, Inc., Trustee of Jaime V. Ongpin Foundation, Inc., Director of Baguio Sunflower Apartment Corp., and is a Fellow at the Institute of Corporate Directors. Mr. Castro obtained his bachelor's degree in Applied Mathematics in Economics and graduated cum laude from Harvard University. He received his master's degree in Business Administration, Accounting & Finance from Stanford University.

Josefina N. Tan, Filipino, was Director of Banco de Oro Universal Bank (now BDO Unibank, Inc.) from February 2001 to August 2005. She then became a Director of Equitable PCI Bank, Inc. from September 2005 until its merger with BDO Unibank in May 2007. Ms. Tan was re-elected to the Board of Directors of BDO Unibank (then Banco de Oro – EPCI, Inc.) on 27 July 2007. Concurrently, she is Board Advisor of BDO Private Bank. She is also Chairperson of the Board of Miriam College, Trustee and Corporate Secretary of the Development Center for Finance, and Trustee of the Laura Vicuña Foundation. She is also Treasurer of the Equestrian Order of the Holy Sepulchre of Jerusalem, and Corporate Secretary of Regal Properties, Inc. and PP&P Insurance Underwriters Agency Inc. Ms. Tan served as President and Director of BDO Private Bank from 29 August 2003 to 17 April 2017. She was also Executive Vice President of the former Far East Bank & Trust Co.; Director and President of FEB Leasing & Finance Corporation; Executive Director and Trustee of FEB Foundation, Inc.; Executive Vice President of FEB Investments, Inc. until 2000; and Director of Research and Publication of the Ateneo Graduate School of Business. Ms. Tan holds a Bachelor of Arts degree with a major in Communication Arts from Maryknoll College, and a master's degree in Business Administration from the Ateneo Graduate School of Business.

The following table shows the shareholdings of each current Director in the Bank as at 31 December 2024:

Name	No. of Shares	% of Total Shares
Teresita T. Sy	640,233	0.0109%
Nestor V. Tan	27,228,808	0.4623%
Dioscoro I. Ramos (Lead Independent Director)	294,690	0.0050%
George T. Barcelon (Independent Director)	341,201	0.0058%
Estela P. Bernabe (Independent Director)	15,001	0.0003%
Vipul Bhagat (Independent Director)	1	0.0000%
Franklin M. Drilon (Independent Director)	1	0.0000%
Alfredo E. Pascual (Independent Director)	3,501	0.0001%
Vicente S. Perez, Jr. (Independent Director)	50,000	0.0008%
Jones M. Castro, Jr (Non-Executive Director).	52,751	0.0009%
Josefina N. Tan (Non-Executive Director).	1,063,605	0.0181%

The aggregate compensation paid by the Bank to its Directors for the years ended 31 December 2022, 2023 and 2024 was ₱90.7 million, ₱94.4 million and ₱104.4 million, respectively.

As at 31 December 2022, 2023 and 2024, loans from the Bank to Directors were nil. All loans to Directors are made on arm's length commercial terms.

Senior Management

The members of senior management, subject to control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors. The following is a list of the Bank's key officers as of the date of the Offering Circular:

Name	Position
Nestor V. Tan	President, CEO and Director
Joseph Albert L. Gotuaco	President, BDO Private Bank, Inc.
Rolando C. Tanchanco	Head, Consumer Banking
Lucy Co Dy	Comptroller
Eduardo V. Francisco	President, BDO Capital & Investment Corporation
L. Jerome C. Guevarra	Chief of Staff, Office of the President
Jesus Antonio S. Itchon	President, BDO Network Bank, Inc.
Maria Corazon A. Mallillin	Head, Branch Banking
Dalmacio D. Martin	Treasurer
Luis S. Reyes, Jr.	Head, Investor Relations and Corporate Planning
Charles M. Rodriguez	Head, Institutional Banking

Name	Position
Renato A. Vergel de Dios	President and CEO, BDO Life Assurance Company, Inc.
Evelyn L. Villanueva	Head, Risk Management
Geneva T. Gloria	Head of Remittance, Transaction Banking
Alvin C. Go	Head, Legal Service & Assistant Corporate Secretary
Paul John Siy	Head, Information Technology
Rufus Pinto	Head, Enterprise Services
Manuel Patricio C. Malabanan	Trust Officer
Carlo B. Nazareno	Head of Cash Management Services, Transaction Banking
Jeffrey M. Alejandro	Chief Audit Executive
Evelyn C. Salagubang	Head, Human Resources
Federico P. Tancongco	Chief Compliance Officer
Roderick L. Lim	OIC, BDO Insurance and Reinsurance Brokers, Inc.

Involvement in Legal Proceedings

The Bank is not aware of any of the following events having occurred during the past five years up to the date of this Offering Circular that are material to an evaluation of the ability or integrity of any Director, nominee for election as Director, Senior Management, underwriter or controlling person of the Bank:

i. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
ii. any conviction by final judgment, including the nature of the offence, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
iii. being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
iv. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organised trading market or self-regulatory organisation, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated; and
v. a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Stock Option Plan

The Bank has established a stock option plan applicable to its senior officers (from vice-president level onwards). The amount of stock options allocated to the qualified officers is based on the performance of the individual officers as determined by the management. The amount of benefits is determined based on the Bank's performance in the preceding year and amortised over five years starting from the date of the approval of the Board of Directors.

Corporate Governance

As part of its increasing focus on corporate governance, the Bank established a number of Board committees.

The Executive Committee

The Executive Committee exercises the power of the Board in the management and direction of the affairs of the Bank. It acts as the main approving body for loans, credits, advances or commitments and property-related proposals. It reviews and recommends for Board approval major credit policies including delegation of credit approval limits. The committee is chaired by Teresita T. Sy. Its other members are Nestor V. Tan, Josefina N. Tan, Mario B. Palou, Edmundo S. Soriano, and Cecilia Luz L. Tan.

Board Audit Committee

The Audit Committee is empowered by the Board to oversee the financial reporting process, system of internal control and risk management systems, internal and external audit functions and compliance with governance policies, applicable laws and regulations. Their oversight function covers the following areas: On financial reporting, the committee reviews the integrity of the reporting process to ensure the accuracy and reliability of financial statements and compliance with financial reporting standards and disclosure requirements set for listed companies. On internal control and risk management, it monitors and evaluates the adequacy, soundness and effectiveness of the Bank's established internal control and risk management systems, policies and procedures including implementation across all units of the Bank to provide reasonable assurance against fraud or other irregularities and material misstatement or loss. On internal and external audit, it recommends the appointment, reappointment and removal of the internal and external auditors, remuneration, approval of terms of audit engagement and payment of fees. It reviews non-audit work, if any, ensuring that it would not conflict with their duties as external auditors or may pose a threat to their independence. It approves the annual audit plan and reviews audit results including the BSP Report of Examination focusing on significant findings with financial impact and its resolution. It reviews the implementation of corrective actions to ensure that these are done in a timely manner to address deficiencies, non-compliance with policies, laws and regulations. On compliance, it recommends the approval of the Compliance Charter and reviews the performance of the Chief Compliance Officer. It also reviews the annual plans of the Compliance Group including the Anti-Money Laundering Department (AMLD) and evaluates the effectiveness of the regulatory compliance framework and governance policies and practices of the Bank to ensure that these are consistently applied and observed throughout the institution. It reviews the report of examination of the BSP and other regulators including replies to such reports for endorsement to the BOD for approval. The committee is chaired by Vicente S. Perez, Jr. Its other members are Jones M. Castro, Jr. and Estela P. Bernabe

Compensation Committee

The Compensation Committee provides oversight on directors' compensation and remuneration of senior management and other key personnel, ensuring that the compensation scheme is consistent with the Bank's culture and strategy, effectively aligned with prudent risk taking and commensurate with corporate and individual performance. It also ensures consistency of the compensation policies and practices across the Bank. It meets at least once annually. The committee's chairman is George T. Barcelon. Its other members are Dioscoro I. Ramos and Teresita T. Sy.

Corporate Governance Committee

The Corporate Governance Committee is primarily tasked to assist the Board in formulating the policies and overseeing the implementation of the corporate governance practices of the Bank and its subsidiaries and affiliates. Annually, it conducts the performance self-evaluation of the Board of Directors, its committees, executive management and peer evaluation of directors using the revised board of directors and peer evaluation survey forms. It also oversees the continuing education program for directors and key officers and proposes relevant training for them. The committee's chairperson is Estela P. Bernabe. Its other members are Franklin M. Drilon and Vicente S. Perez, Jr. George T. Barcelon and Jones M. Castro, Jr. serve as advisors.

Nominations Committee

The Nominations Committee leads the process for identifying candidates for election and appointment as Directors and all other positions requiring appointment of the Board of Directors, giving full consideration to succession planning and the leadership needs of the Bank. In particular, this process includes the profiling of the skills and competencies of the currently serving directors, the gaps in skills and competencies identified and the search for candidates who are aligned with the Bank's directions to fill the gaps. It also makes recommendations to the Board on the composition of the Board and chairmanship of the various committees. It keeps under review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non-executive Directors, and makes recommendations to the Board with regard to any changes. The committee also reviews and approves the interlocking positions of directors in other entities and ensures its compliance with the Bank's interlocking policy. The committee is chaired by Estela P. Bernabe. Its other members are George T. Barcelon and Vicente S. Perez, Jr.

Risk Management Committee

The Risk Management Committee is responsible for the development and oversight of the risk management program of the Bank and for approving risk appetite levels, policies, risk tolerance limits. It defines the appropriate strategies for identifying, quantifying, managing and controlling risk exposures including preventing and/or minimizing the impact of losses when they occur. It oversees the implementation and review of the risk management plan on an enterprise-wide basis, including the system of limits of discretionary authority delegated by the Board of Directors to management and ensures immediate corrective actions when limits are breached. It is also responsible for evaluating the continued relevance, comprehensiveness and effectiveness of the risk management framework. The Risk Management Committee also works with the Audit Committee in certifying the adequacy of the Bank's internal control and risk management systems in the Bank's annual report. The committee is chaired by Vipul Bhagat, with Dioscoro I. Ramos and Jones M. Castro, Jr. as members, and Nestor V. Tan, Christopher A. Bell-Knight as advisors.

Trust Committee

The Trust Committee reviews and approves transactions between trust and/or fiduciary accounts, accepts and closes trust and other fiduciary accounts, and approves the investment, reinvestment and disposition of funds or property. It evaluates trust and other fiduciary accounts at least once a year. In addition, it also reviews the Trust and Investment Group's overall performance, profile of funds and accountabilities under its management, industry position, and the risk management reports. It also approves offering of new products and services, establishment and renewal of lines and limits with financial institutions, and investment outlets and counterparties. Annually, the Committee evaluates the performance of the Trust Officer. The committee is chaired by Dioscoro I. Ramos. Its other members Alfredo E. Pascual, Josefina N. Tan, Nestor V. Tan and Manuel Patricio C. Malabanan. with Christopher A. Bell-Knight and Noel L. Andrada as advisors.

Information Technology (IT) Steering Committee

The IT Steering Committee provides oversight and governance over the Bank's IT functions including approvals of information technology-related policies and practices of the Bank and applicable guidelines. It informs the Board of both internal and external IT-related developments and activities, potential challenges and risks, and progress versus strategic objectives. It approves and endorses to the Board IT-related best practices, strategic plans, policies and procedures. The Committee is also responsible for understanding, managing and mitigating technology risks that confront the Bank and its subsidiaries, ensuring that the risks are properly managed and mitigated and IT performance, including status of major IT projects and issues are properly monitored. The committee is chaired by George T. Barcelon. Its other members are Dioscoro I. Ramos, Nestor V. Tan and Frederic Mark S. Gomez.

Related Party Transactions (RPT) Committee

The RPT Committee assists the Board in its oversight of the conduct of all RPTs to protect the interests of the Bank and its stakeholders. It ensures proper disclosure of all approved RPTs in accordance with applicable legal and regulatory requirements and confirmation by majority vote at the Annual Stockholders' meeting the Bank's significant transactions with related parties. The committee's chairman is Dioscoro I. Ramos. Its other members are Jones M. Castro, Jr. and Vipul Bhagat.

In 2015, the Bank was among the recipients of the inaugural ASEAN Corporate Governance Awards Top 50 ASEAN Publicly Listed Companies, a recognition given to companies that seriously upholds good corporate governance. Corporate Governance Asia also included the Bank in its list of Asia's Best CSR (2020-2022), Best Investor Relations Company (2011-2022) and Best Environmental Responsibility in its 6th Asian Excellence Awards held in June 2016. Asia Corporate Excellence & Sustainability Awards also recognized the Bank as Top Sustainability Advocates in Asia (2021-2022) and Industry Champions of the Year (2019, 2022). The Bank was also named Asian Excellence Awardee (2011-2022).

PRINCIPAL SHAREHOLDERS

There has been no material change regarding control of the Bank and its relationship with the SM Group since 31 December 2024, the date of its last audited financial statements. The following table shows the principal shareholders of the Bank, holding at least 5% of the outstanding common shares, as shown in the Bank's share register as at 31 December 2024:

Name of Shareholder	No. of Common Shares	% of Common Shares
SM Investments Corporation	2,144,616,778	40.68%
Multi-Realty Development Corporation	349,815,643	6.64%
Sybase Equity Investments Corporation	282,712,350	5.36%
TOTAL PRINCIPAL SHAREHOLDERS	**2,777,144,771**	**52.68%**

Other than as specified above, the Bank is not aware of any other person or group of persons, directly or indirectly, with interests of 5% or more of the issued common capital stock of the Bank.

The following table contains a summary of the effective common share holdings of the SM Group as at 31 December 2024:

Name of Shareholder	No. of Common Shares	% of Common Shares
SM Investments Corporation	2,144,616,778	40.68%
Multi-Realty Development Corporation	349,815,643	6.64%
Sybase Equity Investments Corporation	282,712,350	5.36%
SM Prime Holdings, Inc. (formerly SM Land)	108,029,274	2.05%
Sub-total SM Group corporations	**2,885,174,045**	**54.72%**
Sub-total Sy family members	**2,842,181**	**0.05%**
Other Affiliated Entities	**11,795,405**	**0.22%**
TOTAL SM GROUP	**2,899,811,631**	**55.00%**

PHILIPPINE TAXATION

Following is a general description of certain Philippine tax aspects of investment by prospective Bondholders. This discussion is based upon Philippine tax laws, in particular the Tax Code, as amended by the TRAIN Law and CREATE Law, its implementing regulations and rulings in effect at the date of this Offering Circular. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective Bondholders.

The tax treatment of a prospective Bondholder may vary depending on such Bondholder's particular situation and certain prospective Bondholders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a prospective Bondholder.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of investment in the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing the Bonds under applicable tax laws of other jurisdictions and the specific tax consequence in light of particular situations of acquiring, owning, holding and disposing the Bonds in such other jurisdictions.

EACH PROSPECTIVE BONDHOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH BONDHOLDER OF PURCHASING, OWNING AND DISPOSING OF THE BONDS, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines. The term "foreign" when applied to a corporation means a corporation which is not domestic while the term "domestic" when applied to a corporation means a corporation created or organized in the Philippines or under its laws.

On 29 April 2025, the enrolled copies of the Capital Market Efficiency Promotion Act (**CMEPA**), which consolidated Senate Bill No. 2865 and House Bill No. 9277, were sent to the Office of the President for the signature of the President. Should the President fail to act on the enrolled bill, and does not veto the same, the enrolled bill automatically passes into law after thirty (30) days from receipt thereof by the Office of the President. of the enrolled bill. Once enacted, the provisions of the CMEPA indicate that it shall take effect by 1 January 2025 following its complete publication in the Official Gazette or in at least one newspaper of general circulation.

The CMEPA bill, which appears to have overtaken the earlier proposed Passive Income and Financial Intermediary Taxation Act (**PIFITA**), proposes, among others, (i) the removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) the removal of tax exemption for long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts, and other investments, (iii) the reduction of the stock transaction tax, which applies to sale of shares through a local or foreign stock exchange, from six-tenths of one per cent (6/10 of 1%) to one-tenths of one per cent (1/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold, exchanged, or otherwise disposed, (iv) the reduction of the DST on original issuance of shares from ₱2.00 for every ₱200.00 based on par value of shares issued, to seventy-five per cent (75%) of one per cent (1%) of the par value of such shares of stock or the actual consideration, if there is no par value, (v) the removal from exclusions from gross income of gains from the sale of bonds, debentures or other certificate of indebtedness with a maturity of more than five (5) years, and (vi) standardization of the final withholding tax rate on certain passive income to twenty per cent (20%), except for non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall still be subject to a final withholding tax rate of twenty-five per cent (25%). While similar to the PIFITA, the CMEPA introduces other specific revisions to the National Internal Revenue Code of 1997, as amended.

As the enrolled bill has not been released, we are unable to confirm the final proposed amendments under the CMEPA.

TAXATION OF INTEREST INCOME

The Philippine National Internal Revenue Code, as amended by Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion or **TRAIN**, and Republic Act No. 11534 or the CREATE Law (the **Tax Code**) provides that interest income on interest-bearing obligations of Philippine residents, such as the Bonds, are Philippine-sourced income subject to Philippine income tax.

The Tax Code defines "deposit substitutes" as an alternative form of obtaining funds from the public, other deposits, through the issuance endorsement, or acceptance of debt instruments for the borrower's own account, for the purpose of relending or purchasing of receivables and other obligations, or financing their own needs or the needs of their agent or dealer. Obtaining funds from the "public" in this instance means borrowing from twenty (20) or more individual or corporate lenders at any one time. The meaning of "at any one time" with respect to borrowings from twenty (20) or more lenders, would mean every transaction executed in the primary or secondary market in connection with the purchase or sale of securities.

The Bonds may be considered as deposit substitutes Issued by Philippine residents with a maturity period of less than five (5) years. As such, interest income arising from the Bonds are considered as Philippine sourced income subject to final withholding tax at the following rates:

Philippine citizens and resident alien individuals –	20%
Non-Resident aliens doing business in the Philippines –	20%
Non-resident aliens not doing business in the Philippines –	25%
Domestic corporations –	20%
Resident foreign corporations –	20%
Non-resident foreign corporation –	25%

The aforementioned final withholding tax rates may be reduced by applicable provisions of tax treaties in force between the Philippines and the tax residence country of the non-resident Bondholder. Many tax treaties to which the Philippines is a party provide for a preferential reduced rate of 15% where Philippine sourced interest income is paid to a resident of the other contracting state. However, tax treaties generally provide that the preferential rate will not apply if the recipient carries on business in the Philippines through a permanent establishment and the holding of the relevant interest-bearing instrument is effectively connected to such permanent establishment.

Under the proposed CMEPA, the final withholding tax rate on interest income, will be subject to a uniform rate of 20 per cent (20%), except for non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall still be subject to a final withholding tax rate of 25 per cent (25%).

TAX EXEMPT STATUS

Bondholders who are exempt from, are not subject to final withholding tax, or are subject to a lower rate of final withholding tax on interest income may avail themselves of such exemption or preferential withholding tax rate by submitting the necessary documents. Said Bondholder shall submit:

(i) the following tax documents, in form and substance prescribed by the Issuer, to the Registrar or Selling Agents (together with their completed Application to Purchase) who shall then forward the same to the Registrar:

(a) For (1) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (2) cooperatives duly registered with the Cooperative Development Authority; and (3) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR;

(b) For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the Bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;

(c) For all other tax-exempt entities (including, but not limited to, (1) non-stock, non-profit educational institutions; (2) government-owned or -controlled corporations; and (3) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;

(d) With respect to tax treaty relief, (a) prior to the first Interest Payment Date: (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder, or if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR; (2) one (1) original of the apostilled/consularized Tax Residency Certificate (**TRC**) duly issued by the foreign tax authority of the country of the residence of the Bondholder, or if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws; (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer; and (4) three (3) originals of the duly notarized, or apostilled/consularized if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of its authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; (b) prior to the payment of subsequent interests due: (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder, or if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR; and (2) one (1) original of the apostilled/consularized TRC duly issued by the foreign tax authority of the country of the residence of the Bondholder, or if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued TRC has already lapsed; and (c) any other document that the Issuer or PDTC may require from time to time;

(ii) a duly notarized declaration and undertaking, in prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Bonds for its account, or (ii.b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Bondholder named in the tax exemption certificate described in (i) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities, or any tax or charge arising from the non-withholding of the required tax; and

(iii) if applicable, such other documentary requirements as may be reasonably required by the Issuer or the Registrar or Paying Agent, or as may be required under applicable regulations of the relevant taxing or other authorities; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Transfers taking place in the Register of Bondholders after the Bonds are listed in PDEx may be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when allowed under, and are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC. A selling or purchasing Bondholder claiming tax-exempt status is required to submit the following documents to the Registrar, together with the supporting documents specified under Registry and Paying Agency Agreement upon submission of Account Opening Documents to the Registrar: (i) a written notification of the sale

or purchase, including the tax status of the transferor or transferee, as appropriate; and (ii) an indemnity agreement wherein the new Bondholder undertakes to indemnify the Issuer for any tax that may later on be assessed on the Issuer on account of such transfer.

DOCUMENTARY STAMP TAXES (DST)

The Tax Code imposes a DST on all bonds, loan agreements and promissory notes at the rate of ₱1.50 on every ₱200, or fractional part thereof, of the face value of such securities provided that, for debt instruments with terms of less than one year, the DST collected shall be proportionate to the ratio of the number of days of the term of the instrument to 365 days. The DST is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. The Bank has undertaken to pay the DST on the issuance of the Bonds.

There is currently no DST due on a subsequent sale or disposition of the Bonds.

TAXATION ON GAINS OR LOSSES UPON THE SALE OR OTHER DISPOSITION OF THE BONDS

If the Bonds are considered ordinary assets of individual Bondholders, gains from the sale or disposition of such Bonds are included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens (whether residents or non-residents), or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines effective 1 January 2023 and onwards:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident aliens not engaged in trade or business, the gain shall be subject to the 25% final withholding tax.

If the Bonds are considered as capital assets of individual Bondholders, gains from the sale or disposition of the Bonds shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bonds for a period of more than twelve (12) months prior to the sale, only 50% of the gain will be recognized and included in the computation of taxable income. If the Bonds were held by an individual for a period of twelve (12) months or less, 100% of the gain will be included in the computation of the taxable income.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Bonds are included in the computation of taxable income which is subject to a 25% income tax and 20% for domestic SMEs. Gains derived by non-resident foreign corporations on the sale or other disposition of the Bonds shall form part of their gross income which is likewise subject to a 25% final withholding tax unless a preferential rate is allowed under a tax treaty subject to such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

However, under the Philippine Tax Code, any gain realized from the sale, exchange or retirement of bonds, debentures and other certificates of indebtedness with an original maturity date of more than five years (as measured from the date of issuance of such bonds, debentures or other certificates of indebtedness) shall not be subject to income tax. Moreover, any gains realized on the sale of the Bonds may be exempt from Philippine income tax under an applicable tax treaty subject to such other documentary requirements as may be reasonably required under the rules and regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief. However, under the proposed CMEPA, this exemption would be removed. Gains from the sale, exchange, or retirement of bonds, debentures or other certificate of indebtedness with a maturity of more than five (5) years are no longer excluded from gross income.

VALUE-ADDED TAX AND GROSS RECEIPTS TAX

Gross receipts derived by dealers in securities from the sale of the Bonds in the Philippines shall be subject to value-added tax (**VAT**) of 12%. The term "gross receipt" means gross selling price less acquisition cost of the Bonds sold. For purposes of this section, dealers in securities are merchants of stocks or securities, whether individual, partnership, or corporations, with an established place of business, regularly engaged in the purchase of securities and their resale to customers.

On the other hand, banks and non-bank financial intermediaries performing quasi-banking functions are subject to Gross Receipts Tax (**GRT**) at the following rates:

(a) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less — 5%
Maturity period is more than 5 years — 1%

(b) On dividends and equity shares and net income of subsidiaries — 0%

(c) On royalties, rentals of property, real or personal, profits, from exchange and all other items treated as gross income under the Tax Code — 7%

(d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives, and other similar financial instruments — 7%

Other non-bank financial intermediaries are subject to GRT at the following rates:

(a) On interest, commissions, discounts and all other items treated as gross income under the Tax Code — 5%

(b) On interests, commissions and discounts from lending activities, as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

Maturity period is 5 years or less — 5%
Maturity period is more than 5 years — 1%.

In case the maturity period is shortened thru pre-termination, the maturity period shall be reckoned to end as of the date of pre-termination for purposes of classifying the transaction and the correct rate shall be applied accordingly.

Net trading gains realized within the taxable year on the sale or disposition of the Bonds by banks and nonbank financial intermediaries performing quasi-banking functions shall be taxed at 7%.

The pending legislation for the enactment of the PIFITA also seeks to provide a single GRT rate of 5% to be imposed on banks, quasi banks, and certain non-bank financial intermediaries. The distinction between lending and non-lending income, as well as the maturity of the instrument, will be removed. All types of income will be taxed at 5%, except dividends, equity shares, and net income of subsidiaries, which will remain exempt.

ESTATE AND DONOR'S TAX

Beginning 1 January 2018, the transfer of Bonds upon the death of an individual Bondholder to his or her heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine estate tax at the rate of 6% based on the value of the decedent's net estate.

Moreover, beginning 1 January 2018, individual and corporate Bondholders, whether or not citizens or residents of the Philippines, who transfer the Bonds by way of gift or donation are liable to pay Philippine donors' tax on such transfer at the rate of 6% computed on the basis of the total gifts in excess of ₱ 250,000.00 made during the calendar year.

The estate tax as well as the donor's tax in respect of the Bonds shall not be collected (a) if the deceased at the time of his death or the donor at the time of his donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

In case the Bonds are transferred for less than an adequate and full consideration in money or money's worth, the amount by which the fair market value of the Bonds exceeded the value of the consideration may, unless made in the ordinary course of business (i.e., a transaction which is bona fide, at arms' length, and free from any donative intent), be deemed a gift and may be subject to donor's taxes.

TAXATION OUTSIDE THE PHILIPPINES

The tax treatment of non-resident Bondholders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Offering Circular does not discuss the tax considerations on such non-resident holders under laws other than those of the Philippines. Each holder of any of the Bonds should consult its own tax adviser as to the particular tax consequences on such holder acquiring, owning and disposing of the Bonds, including the applicability and effect of any state, local and national laws.

PHILIPPINE BANKING INDUSTRY

The following description is a summary of certain sector specific laws and regulations in the Philippines which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The cited regulations may not be exhaustive, and are intended to provide a general background and information to the investors, and are not intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

Introduction

The banking industry in the Philippines is composed of universal banks, commercial banks, rural banks, thrift banks (including savings and mortgage banks, private development banks and stock savings and loan associations), cooperative banks, Islamic banks, and digital banks.

According to BSP's report on the Physical Network of the Philippine Banking System, as at 31 December 2024, the commercial banking sector, comprising universal and commercial banks, consisted of 44 banks, of which 22 were universal banks and 22 were commercial banks. Of the 22 universal banks, 13 were private domestic banks, 3 were government banks and 6 were branches of foreign banks. Of the 22 commercial banks, 2 were private domestic banks, 2 were subsidiaries of foreign banks and 18 were branches of foreign banks.

Commercial banks are organised primarily to accept drafts and to issue letters of credit, discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive other types of deposits and deposit substitutes, buy and sell foreign exchange and gold and silver bullion, and lend money on a secured or unsecured basis. Universal banks are banks that have authority, in addition to commercial banking powers, to exercise the powers of investment houses, to invest in the equity of business not related to banking, and to own up to 100% of the equity in a thrift bank, a rural bank, or a financial allied or non-allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank.

Thrift banks primarily accumulate the savings of depositors and invest them, together with their capital, in loans secured by bonds, mortgages in real estate and insured improvements thereon, chattel mortgage, bonds and other forms of security or in loans for personal and household finance, secured or unsecured, or in financing for home building and home development; in readily marketable debt securities; in commercial papers and accounts receivables, drafts, bills of exchange, acceptances or notes arising out of commercial transactions. Thrift banks also provide short-term working capital and medium-and long-term financing for businesses engaged in agriculture, services, industry, and housing as well as other financial and allied services for its chosen market and constituencies, especially for SMEs and individuals. As at 31 December 2024, there were 41 thrift banks (including microfinance-oriented banks), based on BSP's report on the Physical Network of the Philippine Banking System.

Rural banks are organised primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As at 31 December 2024, there were 383 rural and cooperative banks, based on BSP's report on the Physical Network of the Philippine Banking System.

Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branch/sub-branch or branch-lite unit offering financial products and services. As at 31 December 2024, there were 6 digital banks, based on BSP's report on the Physical Network of the Philippine Banking System.

Specialised government banks are organised to serve a particular purpose. The existing specialised banks are the Development Bank of the Philippines (**DBP**), Land Bank of the Philippines (**LBP**), and Al-Amanah Islamic Investment Bank of the Philippines (**AAIIB**). DBP was organised primarily to provide banking services catering to the medium-and long-term needs of agricultural and industrial enterprises, particularly in rural areas and preferably for small-and medium-sized enterprises. LBP primarily provides financial support in all phases of the Philippines' agrarian reform program. In addition to their special functions, DBP and LBP are allowed to operate

as universal banks. AAIIB was organised to promote and accelerate the socio-economic development of the Autonomous Region of Muslim Mindanao through banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on Islamic banking principles and ruling

During the past decade, the Philippine banking industry has been marked by two major trends — the liberalisation of the industry, and mergers and consolidation.

Foreign bank entry was liberalised in 1994, enabling foreign banks to invest in up to 60% of the voting stock of an existing bank or a new banking subsidiary, or to establish branches with full banking authority. This led to the establishment of 10 new foreign bank branches in 1995. Republic Act No. 8791 or the General Banking Law of 2000 (the General Banking Law) further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100% of the voting stock of one domestic bank within seven years from the effectivity of said law on 13 June 2000 or until 13 June 2007. Under the General Banking Law, any foreign bank, which prior to the effectiveness of the said law availed itself of the privilege to acquire up to 60% of the voting stock of a domestic bank, may further acquire voting shares of such bank to the extent necessary for it to own 100% of the voting stock thereof.

Under RA 10641 and BSP Circular No. 858, Series of 2014 dated 21 November 2014 which amended the relevant provisions of the MORB implementing RA 10641, established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system through any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing domestic bank (including banks under receivership or liquidation, provided no final court liquidation order has been issued); (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches and sub-branches with full banking authority. The foreign bank applicant must also be widely owned and publicly listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. Such established subsidiaries and branches of foreign banks shall be allowed to perform the same functions and enjoy the same privileges of, and be subject to the same limitations imposed upon, a Philippine bank of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

The liberalisation of foreign ownership regulations in banks has allowed the emergence of foreign and local banks with foreign ownership in the market. This has led to Sumitomo Mitsui Banking Corporation, Cathay United Bank, Industrial Bank of Korea, Shinhan Bank, Yuanta Commercial Bank, United Overseas Bank, Hua Nan Commercial Bank, Bank of Taiwan, and Land Bank of Taiwan being granted new licenses, and also equity investments by Bank of Tokyo-Mitsubishi UFJ into Security Bank, Cathay Life into Rizal Commercial Banking Corporation and Woori Bank into Wealth Development Bank. As at 31 December 2024, there were 24 foreign banks with branches and two foreign banks with subsidiaries in the Philippines, based on BSP's report on the Physical Network of the Philippine Banking System.

The BSP has also been encouraging mergers and consolidations in the banking industry, seeing this as a means to create stronger and more globally competitive banking institutions. To encourage this trend, the BSP offered various incentives to merging or consolidating banks. On 11 October 2012, BSP Circular No. 771 was issued in order to grant incentives for investors who purchase a controlling stake in a bank. Accordingly, the coverage of relief incentives for mergers and consolidations now includes the purchase and acquisition of a majority of all of the outstanding shares of stock of a bank. Based on BSP data, since the new package of incentives took effect in September 1998, there have been at least 102 mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations, BSP studies showed that they were not enough to pose a threat to the overall competition levels since market share remained relatively well dispersed among the remaining players.

Pursuant to the liberalisation, and to the mergers and consolidation trend, the BSP issued BSP Circular No. 902, Series of 2016 dated 15 February 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. As provided in the Circular, the suspension of the grant of new banking licenses or the establishment of new banks under the MORB is lifted under a two-phased approach. Under Phase 1 of the liberalisation, the grant of new universal/commercial banking license shall be

allowed in connection with the upgrading of an existing domestic thrift bank. Under Phase 2, the moratorium on the establishment of new domestic banks was fully lifted and locational restrictions fully liberalised starting 1 January 2018.

In November 2020, BSP approved the framework for the creation and licensing of digital banks, as part of its efforts to extend financial services. Under the digital bank framework, digital banks will be subject to the same prudential requirements applicable to non-digital banks. At the same time, the Philippines is expected to attract more digital banking players, given its significant unbanked population of around 70%, which could be reached more easily by digital banks compared with traditional banks, and a relatively high national internet penetration rate of around 67%, based on the analysis of Fitch.

In December 2020, the BSP signed BSP Circular No. 1105, as further amended in September 2022 pursuant to BSP Circular No. 1154, which provided guidelines for establishing digital banks in the Philippines and subjecting digital banks to the prudential requirements set out by the BSP, including with respect to corporate governance and risk management.

In 2020, the Philippine banking system has remained largely stable amidst the COVID-19 pandemic according to the BSP. Despite banks' daily operations affected by community quarantine and social distancing, growth in deposits still remained firm, which is partially attributable to the consumer shift towards digital payments. Loan growth was sluggish during the first 7 months of 2020, driven by the decrease in loan balances to borrowers operating in economic sectors such as wholesale and retail trade, manufacturing, construction (which was partially offset by the increase in loans to real estate borrowers), information and communications and other sectors. Meanwhile, loan quality slightly weakened but was still manageable, with the NPL coverage ratio going up following the increase in allowance for credit losses. The liquidity and capital position of the banking system remained intact.

The following table sets out a comparison, based on publicly available data, of the five largest Philippine private domestic commercial banks in terms of assets as at 31 December 2024:

Name	Market Capitalisation[1]	Total Equity[2]	Total Assets[2]	Loans and Receivables - net[2]	Total Deposits[2]	No. of Branches[3]
	(in ₱ millions, except number of branches)					
BDO Unibank, Inc.	759,254	577,395	4,876,050	3,272,518	3,794,027	1,791[4]
Metropolitan Bank & Trust Co	323,814	396,405	3,520,355	1,816,010	2,573,878	960
Bank of the Philippine Islands	643,196	432,690	3,318,813	2,238,765	2,614,802	1,266
China Banking Corporation	170,900	168,580	1,646,093	915,230	1,331,147	650
Rizal Commercial Banking Corporation	60,125	158,491	1,360,153	742,497	1,022,794	453

Notes:
(1) Market Capitalisation as at 31 December 2024.
(2) Financial data taken from each bank's respective audited financial statements (based on consolidated figures) as at 31 December 2024.
(3) Number of branches was provided by each of the respective banks as at 31 December 2024.
(4) Philippine branches.

According to the Senior Bank Loan Officers' Survey conducted by BSP for the fourth quarter of 2024 (Q4 2024 SLOS), most bank respondents maintained their overall credit standards for lending to enterprises and consumers based on the modal approach. Meanwhile, the diffusion index (**DI**) method indicated a net tightening of credit standards for business loans, while loan standards for households were reportedly unchanged. Survey

results pointed to unchanged overall demand for enterprise loans, and generally unchanged loan demand from consumers. The DI approach showed a net increase in business loan demand from firms, though slightly lower than the previous quarter, and a lower net rise in consumer loan demand compared to the previous quarter. The DI approach also showed net tightening of credit standards for business loans in Q4 2024, due to the deterioration in borrowers' profiles and the profitability of the bank's portfolio. The DI-based method showed generally unchanged credit standards for consumer loans mainly due to the unchanged profile of borrowers, tolerance for risk, and the profitability of the bank's portfolio.

The BSP issued BSP Circular No. 839, Series of 2014 dated 27 June 2014 which adopts a prudential real estate stress test limit (**REST Limit**) for universal and commercial banks, thrift banks on a solo and consolidated basis on their aggregate REE. The REST Limit combines macro prudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds and heightened supervisory response.

The prudential REST Limits which shall be complied with at all times by universal and commercial banks are 6% of CET1 capital ratio and 10% of risk-based CAR, on a solo and consolidated basis, under the prescribed write-off rate. For thrift banks, the prudential REST Limits which shall be complied with at all times are 6% of CET1 capital, for thrift banks that are subsidiaries of universal and commercial banks, 6% of Tier 1 capital, for stand-alone thrift banks, and 10% of risk-based CAR for all thrift banks.

On 29 October 2014, the BSP issued Circular No. 854, Series of 2014, which increased the minimum capital requirement for all bank categories: universal, commercial, thrift, rural, and cooperative banks to strengthen the banking system. Below are the amended minimum capital requirements for banks.

Bank Category/Network Size	Previous Minimum Capitalisation (₱)	Current Minimum Capitalisation (₱)
Universal Banks	4.95 billion**	
Head Office only		3.00 billion
Up to 10 branches *		6.00 billion
11 to 100 branches*		15.00 billion
More than 100 branches*		20.00 billion
Commercial Banks	2.40 billion**	
Head Office only		2.00 billion
Up to 10 branches*		4.00 billion
11 to 100 branches*		10.00 billion
More than 100 branches*		15.00 billion
Thrift Banks		
Head Office in:		
Metro Manila	1.00 billion**	
Cebu and Davao cities	500 million**	
Other Areas	250 million**	
Head Office in the National Capital Region (NCR)		
Head Office only		500 million
Up to 10 branches*		750 million
11 to 50 branches*		1.00 billion
More than 50 branches*		2.00 billion
Head Office in All Other Areas Outside NCR		
Head Office only		200 million
Up to 10 branches*		300 million
11 to 50 branches*		400 million
More than 50 branches*		800 million
Rural and Cooperative Banks		
Head Office in:		
Metro Manila	100 million**	
Cebu and Davao cities	50 million**	
Other cities	25 million**	
1st to 4th class municipalities	10 million**	
5th to 6th class municipalities	5 million**	

Bank Category/Network Size	Previous Minimum Capitalisation (₱)	Current Minimum Capitalisation (₱)
Head Office in NCR		
Head Office only		50 million
Up to 10 branches*		75 million
11 to 50 branches*.....		100 million
More than 50 branches*.....		200 million
Head Office in All Other Areas Outside NCR (All Cities up to 3rd Class Municipalities)		
Head Office only		20 million
Up to 10 branches*		30 million
11 to 50 branches*.....		40 million
More than 50 branches*.....		80 million
Head Office in All Other Areas Outside NCR (4th to 6th Class Municipalities)		
Head Office only		10 million
Up to 10 branches*		15 million
11 to 50 branches*.....		20 million
More than 50 branches*.....		40 million

* Inclusive of Head Office
** With no distinction for network size
The amendment became effective in November 2014.

Restrictions on Branch Opening

Opening of branches by Philippine banks within or outside the Philippines requires BSP's prior approval, subject to certain conditions such as meeting the minimum capital requirements set by the BSP. Upon BSP's approval, these branches may be used by the banks as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. For more information, see "*Banking Supervision and Regulation—Regulation Relating to Capital Structure*" and "*Banking Supervision and Regulation—Regulations with Respect to Branches*."

Competition

The Bank faces competition from both domestic and foreign banks, in part, as a result of the liberalisation of the banking industry by the Government. Since 1994, a number of foreign banks, which have greater financial resources than the Bank, have been granted licenses to operate in the Philippines. Such foreign banks have generally focused their operations on the larger corporations and selected consumer finance products, such as credit cards. The foreign banks have not only increased competition in the corporate market, but have as a result caused more domestic banks to focus on the commercial middle-market, placing pressure on margins in both markets. On 21 January 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions was lifted effective 1 January 2018.

Since September 1998, the BSP has been encouraging consolidation among banks in order to strengthen the Philippine banking system. Mergers and consolidation result in greater competition, as a smaller group of "top tier" banks compete for business.

As at 31 December 2024, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 85% of total assets and 86% of total deposits of the Philippine banking system based on published statements of condition.

Certain factors arising from the 1997 Asian crisis and the 2008 global financial crisis also resulted in greater competition and exert downward pressure on margins. Banks instituted more restrictive lending policies as they focused on asset quality and reduction of their NPLs, which resulted in increasing liquidity. As Philippine economic growth further accelerates and banks apply such liquidity in the lending market, greater competition for corporate, commercial and consumer loans is expected. As at 31 December 2024, the ten largest commercial

banks (including unlisted banks such as LBP and DBP) account for approximately 85% of the net customer loan portfolio of the Philippine banking system, based on published statements of condition.

The Philippine Competition Act was signed into law in 2015 and establishes competition related rules and procedures in the Philippines in relation to mergers and acquisitions. See "*Banking Supervision and Regulation—Philippine Competition Act.*"

Banks also compete with traditional and digital enabled remittance businesses and face competition from the emergence of FinTech, including businesses such as an all-digital bank set up by CIMB and ING Direct, businesses stemming from approved digital banking licenses provided to UNObank, OFBank, Tonik, Union Digital Bank, GOType and Maya Bank, mobile payment tools or e-wallet applications such as GCash and PayMaya, and the growing popularity of peer-to-peer lending through digital platforms. As banks venture into micro-finance and other consumer financing products, they may also face competition from other consumer-focused players, including informal lenders.

Certain Government Policies and Regulations in relation to the Philippine Banking System

The Philippine banking industry is highly regulated by the BSP and operates within a framework that includes requirements on capital adequacy, corporate governance, management, anti-money laundering and provisioning for NPLs. The BSP can alter any of these requirements and can introduce new regulations to control any particular line of business. Please see "*Banking Supervision and Regulation*" for a more detailed discussion.

BANKING SUPERVISION AND REGULATION

The following description is a summary of certain sector specific laws and regulations in the Philippines which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations may not be exhaustive, and are intended to provide a general background and information to the investors, and are not intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.

INTRODUCTION

RA No. 7653 (the New Central Bank Act of 1993) (**New Central Bank Act**) and RA No. 8791 (the General Banking Law of 2000) (**General Banking Law**) and RA No. 11211 (No. 11211) (An Act Amending the New Central Bank Act) vest the BSP, which exercises its powers through the Monetary Board, with the authority to regulate and supervise financial intermediaries in the Philippines. Financial intermediaries include banks or banking institutions such as universal banks, commercial banks, thrift banks (composed of savings and mortgage banks, stock savings and loan associations, and private development banks), rural banks, co-operative banks as well as branches and agencies of foreign banks in the Philippines. Entities performing quasi-banking functions, trust companies, building and loan associations, non-stock savings and loan associations and other non-deposit accepting entities, while not considered banking institutions, are also subject to regulation by the Monetary Board.

The supervisory power of the BSP under the New Central Bank Act extends to the subsidiaries and affiliates of banks and quasi-banking institutions engaged in allied activities. A subsidiary is defined as a corporation with more than 50% of its voting stock owned by a bank or quasi-bank. An affiliate is defined as a corporation whose voting stock, to the extent of 50% or less is owned by a bank or quasi-bank or which is related or linked to such institution or intermediary through common stockholders or such other factors as determined by the Monetary Board. In this regard, the MORB defines an affiliate as an entity linked directly or indirectly to a bank by means of: (a) ownership, control (as defined under the relevant portion of the MORB), or power to vote, of at 20% of the outstanding voting stock of the entity, or vice-versa; (b) interlocking directorship or officership, where the concerned director or officer owns, controls (as defined under the relevant portion of the MORB), or has the power to vote of at least 20% of the outstanding voting stock of the entity; (c) common stockholders owning at least 10% of the outstanding voting stock of the bank and at least 20% of the outstanding voting stock of the entity; (d) management contract or any arrangement granting power to the bank to direct or cause the direction of management and policies of the entity; and (e) permanent proxy or voting trusts in favour of the bank constituting at least 20% of the outstanding voting stock of the entity, or vice-versa.

In the exercise of its power of supervision under the General Banking Law, the BSP may issue rules of conduct or standards of operation for uniform application, conduct examination to determine compliance with laws and regulations, oversee compliance with such rules and regulations and inquire into the solvency and liquidity of the covered entities. Section 7 of the General Banking Law provides that the BSP in examining a bank shall have the authority to examine an enterprise which is owned or majority-owned or controlled by a bank. Section 28 of the New Central Bank Act provides that there shall be an interval of at least 12 months between regular examinations. A vote of at least five members of the Monetary Board may authorise a special examination.

As a general rule, no restraining order or injunction may be issued by a court to enjoin the BSP from exercising its powers to examine any institution subject to its supervision. The BSP may compel any officer, owner, agent, manager or officer-in-charge of an institution subject to its supervision or examination to present books, documents, papers or records necessary in its judgment to ascertain the facts relative to the true condition of the institution as well as the books and records of persons and entities relative to or in connection with the operations, activities or transactions of the institution under examination, to the extent permitted by law. The refusal of any officer, owner, agent, manager, director or officer-in-charge of an institution subject to the supervision or examination of the BSP to make a report or permit an examination is criminally punishable under Section 34 of the New Central Bank Act. In addition to the general laws such as the General Banking Law and the AMLA, as amended, among others, banks must likewise comply with letters, circulars and memoranda issued by the BSP some of which are contained in the MORB.

The MORB is the principal source of rules and regulations to be complied with and observed by banks in the Philippines. The MORB contains regulations that include those relating to the organisation, management and

administration, deposit and borrowing operations, loans, investments and special financing program, and trust and other fiduciary functions of the relevant bank. Supplementing the MORB are rules and regulations promulgated in various circulars, memoranda, letters and other directives issued by the Monetary Board.

The MORB and other regulations are principally implemented by the Financial Supervision Sector of the BSP (**FSS**). The FSS is responsible for ensuring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government credit institutions, their subsidiaries and affiliates, non-bank financial intermediaries, and subsidiaries and affiliates of non-bank financial intermediaries performing quasi-banking functions, non-bank financial intermediaries performing trust and other fiduciary activities under the General Banking Law, non-stock and savings loans associations under RA No. 3779 or the Savings and Loan Association Act, and pawnshops under PD No. 114 or the Pawnshop Regulation Act).

Permitted Activities

A universal bank, such as the Bank, in addition to the general powers incidental to corporations, has the authority to exercise (i) the powers of a regular commercial bank, (ii) the powers of an investment house and (iii) the power to invest in non-allied enterprises. In addition, a universal bank may own up to 100% of the equity in a thrift bank, a rural bank or a financial allied enterprise. A publicly listed universal or commercial bank may own up to 100% of the voting stock of only one other universal or commercial bank. A universal bank may also own up to 100% of the equity in a non-financial allied enterprise.

In addition to those functions specifically authorised by the General Banking Law and the MORB, banking institutions in general (other than building and loan associations) are allowed to (i) receive in custody funds, documents and valuable objects, (ii) rent out safety deposit boxes, (iii) act as financial agents and buy and sell, by order of and for the account of their customers, shares, evidences of indebtedness and all types of securities, (iv) make collections and payments for the account of others and perform such other services for their customers as are not incompatible with banking business, and (v) upon prior approval of the Monetary Board, act as managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts. Financial intermediaries are also allowed to a certain extent to invest in allied (both financial and non-financial) or non-allied undertakings (applicable only to universal banks), or both.

Financial allied undertakings include leasing companies, banks, investment houses, financing companies, credit card companies, and financial institutions catering to small-and medium-scale industries, including venture capital companies, companies engaged in stock brokerage/securities dealership and companies engaged in foreign exchange dealership/brokerage.

The total equity investments of a universal bank in all enterprises, whether allied or non-allied, are not permitted to exceed 50.0% of its net worth. Its equity investment in any one enterprise, whether allied or non-allied, is not permitted to exceed 25.0% of the net worth of the universal bank. Net worth is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by the BSP.

Regulation relating to capital structure

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The Philippine SEC will not register the incorporation documents of any bank or any amendments thereto without a Certificate of Authority issued by the Monetary Board.

A bank can only issue par value stocks and it must comply with the minimum capital requirements prescribed by the Monetary Board. A bank cannot purchase or acquire its own capital stock or accept the same as security for a loan, except when authorised by the Monetary Board. Any stock so purchased or acquired must be sold within six months from the time of its purchase or acquisition.

Under the New Central Bank Act, transfers or acquisitions, or a series thereof, of at least 10% of the voting shares in banks or quasi-banks require the prior approval of the BSP within such period as may be prescribed by the Monetary Board.

On 20 October 2014, the Monetary Board decided to increase the minimum capital requirement for all bank categories including universal, commercial, thrift, rural and cooperative banks. This is in line with the BSP's efforts of further strengthening the banking system. Under this regulation, the minimum capital for universal and commercial banks will be tiered based on network size as indicated by the number of branches. In accordance with BSP Circular No. 854, universal banks are required to have capital accounts of at least ₱3 billion for head office only, ₱6 billion for head office with up to 10 branches (inclusive of head office), ₱15 billion for head office with 11 to 100 branches (inclusive of head office), and ₱20 billion for head office with more than 100 branches (inclusive of head office). Commercial banks are required to have capital accounts of at least ₱2 billion for head office only, ₱4 billion for head office with up to 10 branches (inclusive of head office), ₱10 billion for head office with 11 to 100 branches (inclusive of head office), and ₱15 billion for head office with more than 100 branches (inclusive of head office). Thrift banks with head office in Metro Manila are required to have capital accounts of at least ₱500 million for head office only, ₱750 million for head office with up to 10 branches (inclusive of head office), ₱1 billion for head office with 11 to 50 branches (inclusive of head office), and ₱2 billion for head office with more than 50 branches (inclusive of head office). In August 2022, the BSP issued BSP Circular No. 1151 wherein the BSP adjusted the minimum capitalization for rural banks. Under these new guidelines, rural banks are required to have capital accounts of at least ₱50 million for head office only (without regard to the location of the head office), ₱50 million for head office with up to 5 branches (inclusive of head office), ₱120 million for head office with 6 to 10 branches (inclusive of head office), and ₱200 million for head office with more than 10 branches (inclusive of head office). These minimum levels of capitalisation may be changed by the Monetary Board from time-to-time.

For purposes of these requirements, the BSP issued BSP Circular No. 1164 on 05 January 2023 which states that the term capital shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, including paid-in surplus, retained earnings and undivided profits. The following are to be added to capital:

- Deposits for stock subscription recognised as equity pursuant to Section 123 of the MORB; and
- Other instruments that meet the following criteria:
    a. It must be paid-in;
    b. It must have a minimum maturity of at least five (5) years;
    c. It may be callable/redeemable at the initiative of the issuer only after a minimum of five (5) years;
    d. It must be subordinated to depositors and general creditors of the bank; and
    e. It must have the ability to be converted to common shares or written off upon the occurrence of a trigger event. A trigger event occurs when a bank is considered non-viable as determined by the BSP.

The following shall be deducted from capital:

- treasury stock;
- unbooked allowance for probable losses (including allowance for credit losses and impairment losses);
- total outstanding unsecured credit accommodations, both direct and indirect, to DOSRI and their related interests granted by the bank;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates;
- total outstanding unsecured loans, other credit accommodations and guarantees granted to related parties as defined under Subsection X141.1 of the MORB, that are not at an arm's length terms as determined by the appropriate supervising department of the BSP;
- deferred tax assets that rely on future profitability of the bank to be realised net of any (a) allowance for impairment and (b) associated deferred tax liability if the conditions cited in PAS 12 on income taxes are met; provided, that, if the resulting figure is a net deferred tax liability, such excess cannot be added to net worth;
- reciprocal investment in equity of other banks or enterprises, whether foreign or domestic, if the other bank or enterprise has a reciprocal equity investment in the investing bank, the deduction shall be the (a) investment of the bank or (b) the reciprocal investment of the other bank or enterprises, whichever is lower; and
- in the case of rural/cooperative banks, the government counterpart equity, except those arising from conversion of arrearages under the BSP rehabilitation program.

According to BSP Circular No. 1027 dated 28 December 2018, deposits for stock subscription recognised as equity pursuant to Section X128 of the MORB shall be added to capital.

On 15 July 2014, RA No. 10641 further liberalised the industry by providing that the Monetary Board may authorise foreign banks to acquire up to 100% (previously 60%) of the voting stock of one domestic bank. Under RA 10641, established, reputable and financially sound foreign banks may be authorised by the Monetary Board to operate in the Philippine banking system though any one of the following modes of entry: (a) by acquiring, purchasing or owning up to 100% of the voting stock of an existing bank; (b) by investing in up to 100% of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing branches with full banking authority. The foreign bank applicant must be established, reputable and financially sound. Additionally, such foreign bank must be widely owned and publicly listed in its country of origin, unless the foreign bank applicant is owned and controlled by the government of its country of origin. A foreign bank branch authorised to do banking business in the Philippines under RA 10641 may open up to five sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks authorised to do banking business in the Philippines under RA 10641 shall have the same branching privileges as domestic banks of the same category. Privileges shall include the eligibility to operate under a universal banking authority subject to compliance with existing rules and regulations. Notwithstanding the entry of foreign banks, the BSP is mandated to adopt necessary measures to ensure that at all times the control of 60% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

Under RA 10641, the Monetary Board was authorised to issue such rules and regulations as may be needed to implement the provisions of RA 10641. On 6 November 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of RA 10641 and on 21 November 2014, the BSP issued BSP Circular No. 858, amending the relevant provisions of the MORB, accordingly. On 15 February 2016, BSP issued BSP Circular No. 902, Series of 2016 to implement the phased lifting of the moratorium on the grant of new banking license or establishment of new domestic banks pursuant to its policy to promote a competitive banking environment.

Under the General Banking Law, foreign individuals and non-bank corporations, Filipinos and domestic non-bank corporations may own or control up to 40% of the voting stock of a domestic bank. In determining the percentage of foreign-owned voting stock in a bank, the citizenship of the individual stockholders in that bank shall be considered.

The individuals related to each other within the fourth degree of consanguinity or affinity, whether legitimate, illegitimate or common-law, shall be considered family groups or related interests and must be fully disclosed in all transactions by such an individual with the bank. Moreover, two or more corporations owned or controlled by the same family group or same group of persons shall be considered related interests, which must be fully disclosed in all transactions with the bank.

A bank cannot declare dividends greater than its accumulated net profits on hand deducting therefrom its losses and bad debts. A bank cannot also declare dividends, unless at the time of declaration, it has complied with the following:

- clearing account with BSP is not overdrawn;
- liquidity floor requirement for government funds;
- minimum capitalisation requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- the CCB requirement as defined in Appendix 59, Part III of the MORB for universal and commercial banks and their subsidiary banks and quasi-banks;
- higher loss absorbency requirement, phased-in starting 1 January 2017 with full implementation by 1 January 2019, in accordance with the D-SIB Framework as provided under Section 128 of the MORB for universal and commercial banks and their subsidiary banks and quasi-banks; or
- has not committed any unsafe or unsound banking practice as defined under existing regulations and/or major acts or omissions as determined by BSP to be grounds for suspension of dividend distribution, unless this has been addressed by the bank as confirmed by the Monetary Board or the Deputy Governor, of the appropriate section, as may be applicable, upon recommendation of the appropriate supervising department of the, BSP.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

Regulations with respect to branches

Section 20 of the General Banking Law provides that universal and commercial banks may open branches within or outside the Philippines upon prior approval of the BSP. The same provision of law allows banks, with prior approval from the Monetary Board, to use any or all of their branches as outlets for the presentation and/or sale of financial products of their allied undertakings or investment house units. In line with this, BSP Circular No. 854 Series of 2014 provides various minimum capitalisation requirements for branches of banks, depending on the number of branches (e.g., ranging from a minimum of ₱6 billion for up to 10 branches of universal banks to a maximum of ₱20 billion for more than 100 branches of universal banks). For a discussion on the breakdown of minimum capital requirements for banks, please see "*–Regulation Relating to Capital Structure.*"

Subject to compliance with the requirements provided in BSP Circular No. 624, issued on 13 October 2008, which provides for BSP's branching policy and guidelines, the Bank may apply to the BSP for the establishment of branches outside its principal or head office. Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Pursuant to BSP Circular No. 759, issued on 30 May 2012, which liberalised the policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank, once approved, a branch should be opened within three years from the date of approval. Pursuant to BSP Circular No. 505, issued on 22 December 2005, banks are allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Manila, Parañaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. However, this branching restriction was liberalised pursuant to BSP Circular No. 728, issued on 23 June 2011. Phase 1 of the liberalisation allowed private domestically incorporated universal and commercial banks and thrift banks with limited branch networks in the eight cities or "restricted areas" in Metro Manila until 30 June 2014 to apply for and establish branches in said restricted areas. In Phase 2, branching in the "restricted" areas was opened to all banks except rural banks and cooperative banks. However, branches of microfinance-oriented banks and microfinance-oriented branches of regular banks' branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 (Republic Act No. 9178) may be established anywhere upon the fulfilment of certain conditions. BSP Circular No. 759 further liberalised its policy on the establishment of branches by removing the limit set on the number of branches allowed to be applied for by a bank.

In BSP Circular No. 987, Series of 2017, the BSP approved the guidelines on the establishment of branch-lite units amending relevant provisions of the MORB. A branch-lite unit refers to any permanent office or place of business of a bank, other than its head office or a branch which performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

At present, pursuant to BSP Circular No. 932, Series of 2016, all banks, including rural and cooperative banks, as a general rule are allowed to establish branches anywhere in the Philippines, including in cities previously considered restricted areas.

Branches of microfinance-oriented banks and microfinance-oriented branches of regular banks' branches that will cater primarily to the credit needs of Barangay Micro Business Enterprises duly registered under the Barangay micro business enterprises Act of 2002 may be established anywhere upon the fulfilment of certain conditions.

Regulations with respect to management of banks

The board of directors of a bank must have at least five and a maximum of 15 members. According to Republic Act No. 11232 or the Revised Corporation Code (the Revised Corporation Code), the board of banks and quasi-banks must have independent directors comprising at least 20% of such board. The Revised Corporation Code also requires a compliance officer. Material contracts of a corporation vested with public interest with (1) one or more of its directors, trustees, officers or their spouses and relatives within the fourth civil degree of consanguinity or affinity must also be approved by at least 2/3 of the members of the board, with at least majority of the independent directors approving the same, in addition to common requirements for similar contracts for other companies pursuant to Section 31 of the Revised Corporation Code. Under the MORB, at least one-third but not

less than two members of the board of directors of universal and commercial banks shall be independent directors. Further, Philippine SEC Memorandum Circular No. 24, Series of 2019, on the Code of Corporate Governance for Publicly-Listed Companies requires the board of directors of publicly listed companies, such as the Bank, to have a Board composed of a majority of non-executive directors and at least two independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher. In case of merged or consolidated banks, the number of directors shall not exceed 21. An independent director is a person who independent of management and the controlling shareholder and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.

Foreigners are allowed to have board seats to the extent of the foreign participation in the equity of the bank.

The Monetary Board shall issue regulations that provide for the qualifications and disqualifications to become a director or officer of a bank. After due notice to the board of directors of a bank, the Monetary Board may disqualify, suspend or remove any bank director or officer who commits or omits act which renders him or her unfit for the position.

Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act, no appointive or elective public official, whether full time or part time, may serve as officer of any private bank, except if the service is incidental to financial assistance provided by government or government owned and controlled corporation or when allowed by law.

On 22 August 2017, the BSP issued BSP Circular No. 971, prescribing the Guidelines on Risk Governance for BSP Supervised Financial Institutions (BSFIs), and requiring the appointment of a Chief Risk Officer (CRO) in universal and commercial banks to head the risk management function. In addition to overseeing the risk management function, the CRO shall also support the board of directors in the development of the risk appetite of the BSFI and for translating the risk appetite into a risk limits structure. The appointment, dismissal and other changes to the CRO requires the prior approval of the board of directors. Pursuant to the Circular, prospective directors have the burden of proving that they possess all the minimum qualifications and none of the disqualifications listed in the MORB and must submit proof to the BSP of their qualification. An elected director must be fit and proper for the position, taking into consideration his integrity/probity, physical/mental fitness, educational/financial literacy/training and other competencies relevant to the job. Each director must also have attended a seminar on corporate governance, subject to certain exemptions. Members of the board of directors may not be appointed as corporate secretary or chief compliance officer of the institution.

On the same date, the BSP also issued BSP Circular No. 972, prescribing the Enhanced Guidelines in Strengthening Compliance Frameworks for BSFIs, and requiring the appointment of a Chief Compliance Officer (**CCO**). The CCO is tasked to oversee the identification and management of the BSFI's compliance risk and shall supervise the compliance function staff. Additionally, the board of directors should ensure that a compliance program is defined for the BSFI and that compliance issues are resolved expeditiously. For this purpose, a board-level committee, chaired by a non-executive director, shall oversee the compliance program.

On 4 January 2018, BSP Circular No. 989 was issued providing the Guidelines on the Conduct of Stress Testing Exercises. Stress testing is a tool to evaluate the potential effects of specified changes in risk factors on a bank's financial position under a severe but plausible scenario to assist the board and management in decision-making. The Board of Directors must consider the results in capital and liquidity planning and setting risk appetite, among others. Banks have a period of two years from effectivity date to gradually change their stress testing practices until it is in compliance with the circular's requirements.

On 18 February 2020, BSP issued Circular No. 1076, which provides the amendments to the regulations on the disqualifications and watchlisting of directors and officers of banks. The BSP prohibited certain persons from becoming officers of a bank, which include, among others, any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or controlled corporations or in cases allowed under existing laws.

On 8 April 2021, BSP issued Circular No. 1112, which provides the amendments to the Operational Risk Management of BSFIs. The BSP recognises that one of the major sources of operational risk is "people risk". The BSP mandates BSFIs to be stringent in its recruitment and selection process and in the performance management of its personnel. In connection with this circular, the Human Resource Department of BSFIs shall require all those who passed the initial stage of pre-employment screening to accomplish the Authorisation Form for Querying (**AFQ**) the Bangko Sentral Records.

On 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

On 28 November 2022, the BSP issued Circular No. 1160 which provides for a framework for Bangko Sentral-Supervised Institutions (**BSIs**) to manage risks and potential harms to Financial Consumers and institutionalise consumer protection. This framework applies to all financial products created, developed, offered, or marketed by a BSI. Thus, BSIs must comply with the framework by (1) having a consumer protection risk management system (2) establishing board and senior management oversight; (3) maintaining consumer protection standards of conduct; and (4) providing appropriate design and delivery of financial products and services.

Regulations with respect to bank operations

A universal bank, such as the Bank, may open branches or offices within or outside the Philippine subject to the prior approval by the BSP. A bank and its branches and offices shall be treated as one unit. A bank, with prior approval of BSP, may likewise use any of its branches as outlets for presentation and/sale of financial products of its allied undertakings or investment house units.

The Monetary Board shall prescribe the minimum ratio which the net worth of a bank must bear to its total risk assets which may include contingent accounts. In connection thereto, the Monetary Board may require that the ratio be determined on the basis of the net worth and risk assets of a bank, its subsidiaries, financial or otherwise and prescribe the composition and the manner of determining the net worth and total risk assets of bank and their subsidiaries. To ensure compliance with the set minimum ratio, the Monetary Board may limit or prohibit the distribution of net profits by such bank and require that such net profit be used to increase the capital accounts of the bank until the minimum requirement has been met. It may also restrict or prohibit acquisition of major assets and the making of new investments by the bank.

A universal bank has the authority to: (i) perform activities allowed for commercial banks; (ii) exercise powers of an investment house; and (iii) invest in non-allied enterprise.

On 7 February 2019, the BSP issued Circular No. 1031, setting forth additional guidelines for the classification of licenses/authorities based on the types of licenses issued for permissible activities; and providing for corresponding amendments to the licensing requirements of the BSP. The Circular provides that a Type C license is required for the issuance of bonds and commercial paper.

On 22 February 2019, the BSP issued Circular No. 1033, which governs electronic payment and financial services (**EPFS**) offered by BSFIs. EPFS are classified as basic EPFS, which are limited to services allowing only receipt of funds or access to information, and advanced EPFS, which enable customers to send funds and initiate other financial transactions. BSFIs intending to offer advanced EPFS must obtain a Type A/B license, while those intending to offer only basic EPFS must obtain a Type C license. Once granted a license, a BSFI must comply with the regulations set forth in the Circular.

On 25 July 2019, the BSP issued Circular No. 1042 on the *Guidelines on Investment Activities of BSFIs*. These cover all of a BSFI's investments in the trading and banking books. It provides the fundamental elements of a

BSFI's risk management framework as well as the supervisory expectations on the management of major risks that are inherent in investment activities.

On 7 February 2023, the BSP issued Circular No. 1166, which made changes to the rules on the issuance of e-money and operations of e-money issuers in the Philippines (including rules on liquidity, capitalization, load limit, and guidelines on reporting and sanctions). The new guidelines set forth in this BSP Circular covers BSFIs that issue E-money and engage in E-money business in the Philippines. E-money issued under closed-loop electronic wallet systems is not covered by the guidelines.

Capital adequacy requirements

The Philippines adopted capital requirements based on the Basel Capital Accord in July 2001.

On 1 July 2007, the BSP issued BSP Circular No. 538, which is the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the BCBS containing new standards that modify the structure of regulatory capital. The Basel III regulations include tighter definitions of Tier 1 capital and Tier 2 capital, the introduction of a leverage ratio, changes in the risk weighting of counterparty credit risk, a framework for counter-cyclical capital buffers, and short and medium-term quantitative liquidity ratios. To align with the international standards, the BSP adopted part of the Basel Committee's eligibility criteria to determine eligibility of capital instruments to be issued by Philippine banks and quasi-banks as Hybrid Tier 1 capital and Tier 2 with the issuance of BSP Circular No. 709 effective 1 January 2011, as amended by BSP Circular No. 716.

In January 2012, the BSP announced that the country's universal and commercial banks, including their subsidiary banks and quasi-banks, will be required to adopt in full the capital adequacy standards under Basel III with effect from 1 January 2014. It aims to replace Basel II, to further strengthen the local bank's loss absorption capacity and encourage banks to rely more on core capital instruments like CET 1 and Tier 1 issues.

This thus allowed local banks one full year for a parallel run of the old and new guidelines prior to the effectiveness of the new standards in 2014, marking an accelerated implementation compared to the Basel Committee's staggered timeline that stretches from January 2013 to January 2017. On 15 January 2013, the BSP issued the implementing guidelines for the adoption on 1 January 2014 of the revised capital standards under the Basel III accord for universal and commercial banks.

The guidelines set new regulatory ratios for banks to meet specific minimum thresholds for CET1 capital and Tier 1 capital in addition to the CAR. The BSP maintained the minimum CAR at 10.0% and set a minimum CET1 ratio of 6.0% and a minimum Tier 1 capital ratio of 7.5%. The new guidelines also introduced a CCB of 2.5% which shall be made up of CET1 capital.

In addition, banks which issued capital instruments from 2011 will be allowed to count these instruments as Basel III-eligible until end-2015. However, capital instruments that are not eligible in any of the three components of capital were derecognised from the determination of the regulatory capital on 1 January 2014.

On 29 October 2014, the Monetary Board approved the guidelines for the implementation of higher capital requirements on D-SIBs by the BSP under Basel IIII. Banks deemed as D-SIBs by the BSP are required to maintain capital surcharges to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. The assessment started in 2014 with the BSP informing banks confidentially of their D-SIB status in 2015. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1.0% to 2.5%. Aside from the added capital pressure, D-SIBs may be put at an undue disadvantage compared to G-SIBs given that this framework was patterned for regional/global banks and thus may not be appropriate for local banks. The phased-in compliance started on 1 January 2017 and became fully effective on 1 January 2019. On 27 September 2019, the BSP issued Circular No. 1051, entitled

Amendments to BSP Circular No. 1051 (**BSP Circular No. 1051**), which amended the framework for dealing with D-SIBs provided under BSP Circular No. 856.

On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' ICAAP submitted to the BSP every 31st of March of each year. This was amended by Circular No. 1113, Series of 2021, which now requires that the recovery plan be separate and distinct from the ICAAP document. D-SIBs must submit a separate recovery plan every 30th of June of each year, starting 30 June 2022. The submission of the ICAAP document remains to be every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the D-SIB breaches the total required CET1 capital, the higher loss absorbency (**HLA**) capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document which includes the first recovery plan was submitted on 30 June 2016 and will be resubmitted on the 31st of March of each year.

In addition, Basel III capital rules for banks include setting up a CCyB wherein banks may be required by the relevant regulator to build up the required level of capital during boom times and draw down on the buffer in the event of an adverse turn in the cycle or during periods of stress, thus helping to absorb losses. The CCyB will require banks to hold additional common equity or other fully loss absorbing capital in amounts ranging from 0% to 2.5% of the risk-weighted assets. On 6 December 2018, the BSP issued the guidelines on CCyB. BSP Circular No. 1024 imposes a CCB of 2.5% and a CCyB of 0% subject to upwards adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. Any increase in the CCyB rate shall be effective 12 months after its announcement, while decreases shall be effective immediately. The circular further provides that the HLA requirement shall be on top of the combined requirement for CCB and CCyB. Under the Bank for International Settlements (**BIS**), the CCyB became fully effective on 1 January 2019.

On 27 September 2019, the BSP issued Circular No. 1051 which amended the framework for D-SIBs. Said Circular amended the list of indicators and their respective weights in order to identify D-SIBS. In addition, said Circular revised the range of the HLA requirement as percentage of risk-weighted assets.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratio (computed as banks' Tier 1 capital divided by its total on-book and off-book exposure). On 9 June 2015, the BSP issued BSP Circular No. 881 on the implementing guidelines and accordingly, amending the relevant provisions of the guidelines. Under the guidelines, universal and commercial banks are required to maintain a minimum leverage ratio of 5%, which is more stringent than the 3% minimum leverage ratio under Basel III by 1 January 2017 (which compliance period was extended to 1 January 2018 based on BSP Circular No. 943 issued in 2017). The guidelines also provide for a monitoring period up to the end of 2016 during which banks are required to submit periodic reports; however, sanctions will not be imposed on banks whose leverage ratios fall below the required 5% minimum during the period. However, sanctions were not imposed on banks whose leverage ratios fell below the required 5% minimum during the period. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to an increasing regulatory burden on banks. On 26 January 2017, the BSP issued BSP Circular No. 943 which approved the one-year extension of the Basel III Leverage Ratio monitoring period from 31 December 2016 to 31 December 2017, and set new deadlines for the submission of the reporting and disclosure requirements. During the monitoring period, the BSP will continue to assess the calibration and treatment of the components of the leverage ratio. The leverage ratio serves as a backstop measure to the risk-based capital requirements. While this has no material impact given that Philippine banks' ratios are above the required minimum, the leverage ratio along with other pending components of Basel III point to increasing regulatory burden on banks.

On 22 January 2018, the BSP issued BSP Circular No. 990 which approved the extension of the Basel III Leverage Ratio monitoring period from 31 December 2017 to 30 June 2018, and set new deadlines for the submission of the reporting and disclosure requirements. The monitoring of the leverage ratio shall be implemented as a Pillar 1 minimum requirement effective on 1 July 2018.

On 28 April 2020, the BSP issued Memorandum No. M-2020-034 which relaxed the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks. Banks' exposure to qualified MSMEs, those that meet the criteria and the current MSME exposures that do not qualify as a highly diversified MSME portfolio, will only be assigned a credit risk weight of 50%, down from 75% previously. The foregoing relaxation in the credit risk weight for loans to MSMEs under the BSP's risk-based capital adequacy frameworks shall apply until 30 June 2023, pursuant to Memorandum No. M-2022-041 issued by the BSP on 23 September 2022.

On 4 May 2020, the BSP issued Memorandum Circular No. M-2020-039, which allows universal and commercial banks, and their subsidiary banks and quasi-banks, which have built up their CCB and LCR buffer, to utilise the same during this state of health emergency, subject to the following:

a. the bank or quasi-bank which draws down its 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework but will be restricted from making distributions in the form of dividends (in the case of banks incorporated and established under Philippine laws), profit remittance (in the case of a foreign bank branch), share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff; and
b. the bank or quasi-bank may draw on its stock of liquid assets to meet liquidity demands to respond to the current circumstances, even if this may cause its LCR to fall below the 100% minimum requirement. In the event the bank or quasi bank has recorded a shortfall in the stock of its HLA for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below the 100%, such bank or quasi bank must notify the BSP of such a breach on the banking day immediately following the occurrence of the third liquidity shortfall.

Banks and quasi-banks will be given a reasonable time period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Meanwhile, non-compliance with the minimum CAR and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

Reserve requirements

Under the New Central Bank Act, the BSP requires banks to maintain cash reserves and liquid assets in proportion to deposits in prescribed ratios. If a bank fails to meet this reserve during a particular week on an average basis, it must pay a penalty to BSP on the amount of any deficiency. Furthermore, the Monetary Board may limit or prohibit its making of new loans or investments, and require that part or all of the net profits be assigned to surplus. Deposits maintained by banks with BSP as part of reserve requirements are exempt from attachment, garnishment, or other order of process of courts, government agencies, or any other administrative body issued to satisfy the claim of a party other than the government, or its political subdivision.

Under BSP Circular No. 732 issued on 3 August 2011, as further amended by BSP Circular No. 753 issued on 29 March 2012, BSP Circular No. 830 issued on 3 April 2014, BSP Circular No. 832 issued on 27 May 2014, BSP Circular No. 997 issued on 15 February 2018, BSP Circular No. 1004 issued on 24 May 2018, BSP Circular No. 1041 issued on 29 May 2019, BSP Circular No. 1054 issued 11 October 2019, BSP Circular No. 1063 issued on 3 December 2019 and BSP Circular No. 1082 issued on 31 March 2020, universal and commercial banks are required to maintain regular reserves of: (a) 12% against demand deposits, savings deposit, time deposit and deposit substitutes, Peso deposits lodged under due to foreign banks, Peso deposits lodged under due to head office/branches/agencies abroad (Philippine branch of a foreign bank); (b) 12% against negotiable order of withdrawal accounts; (c) 0% against deposit substitutes evidenced by repurchase agreements; (d) 4% against LTNCDs; and (e) 3% against bonds.

On 15 October 2019, the Monetary Board approved the reduction in the reserve requirement rate for bonds issued by banks and quasi-banks from 6.0% to 3.0%, in furtherance of the BSP's commitment to contribute to the deepening of the local debt market and to incentivise banks and quasi-banks to tap the domestic bond market as part of their liquidity management. On 24 October 2019, the Monetary Board announced that it was reducing the reserve requirement ratio by 100 basis points for universal/commercial and thrift banks, in line with the BSP's broad financial sector reform agenda to promote a more efficient financial system by lowering financial intermediation costs and to ensure sufficient domestic liquidity in support of economic activity. On 31 March 2020, the Monetary Board approved a reduction in the reserve requirement ratios of deposit and deposit substitute liabilities of universal and commercial banks and non-bank financial institutions with quasi-banking functions. The new rates of required reserves became effective on reserve week 3 April 2020.

Since 31 July 2020, the BSP has regularly adjusted the reserve requirements as part of the liquidity management of the BSP. Under Circular No. 1211 issued by the BSP on 11 March 2025, the BSP further reduced the reserve against deposit and deposit substitute liabilities in local currency of banks effective reserve week starting 28 March 2025 to 5% for universal and commercial banks and 2.5% for digital banks with respect to demand deposits, NOW accounts, savings deposits (excluding basic deposit accounts), time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs, deposit substitutes, peso deposits lodged under due to foreign banks and Peso deposits lodged under due to Head Office/Branches/Agencies Abroad of banks. The reserve against deposit and deposit substitute liabilities in local currency of banks with respect to thrift, rural and cooperative banks currently remains at zero percent.

On 22 April 2020, the BSP issued Circular No. 1083 as part of the Government's financial assistance program to the MSMEs, which states that loans that are granted to MSMEs shall be allowed as alternative compliance with the required reserves against deposit and deposit substitute liabilities, subject to the following conditions:

- That the MSME loan was granted after 15 March 2020;

- That the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

Qualified MSME loans are to be valued at amortised cost, gross of allowance for credit losses. This shall be available to banks from 24 April 2020 to 30 December 2021.

On 27 July 2020, the BSP issued Circular No. 1092, which reduced the reserve requirements against deposit and deposit substitute liabilities in local currency of banks, which took effect on 31 July 2020.

On 8 October 2020, the BSP issued Circular No. 1100 which amended Circular No. 1087 issued 27 May 2020. It provided the following allowable alternative modes of compliance with the required reserves against deposit and deposit substitute liabilities:

- Peso-denominated loans that are granted to MSMEs, excluding banks and non-banks with quasi banking function (**NBQBs**) that meet the definition of a small- and medium enterprise, subject to the conditions stated above.
    - That the loan was granted, renewed or restructured after 15 March 2020; Provided, that if such MSME loan becomes past due or non-performing, as defined under Sec. 304/303-Q, it is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such MSME loan has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a bank/NBQB may continue to utilise said past due or non-performing MSME loan as alternative compliance with the reserve requirements for an additional thirty (30) calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;
    - That the loan was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 provided, that the bank demonstrates an increase in its MSME loan portfolio during the month preceding the reserve day.
    - That the MSME loan is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

The use of MSME loans as allowable alternative compliance with the reserve requirement shall be available to banks/NBQBs from 24 April 2020 to 30 June 2023, pursuant to BSP Circular No. 1155 issued on 21 September 2022.

- Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs, subject to the following conditions:
    - That the loan was granted, renewed or restructured after 15 March 2020; provided, that a loan to a large enterprise that becomes past due or non-performing, as defined under Sec. 304/303-Q, is no longer eligible as an alternative mode of compliance with the reserve requirements, except if such loan to a large enterprise has been subsequently renewed/restructured by the bank/NBQB in accordance with existing regulations. Notwithstanding this provision, a

bank/NBQB may continue to utilise said past due or non-performing loan to a large enterprise as alternative compliance with the reserve requirements for an additional thirty (30) calendar days from the date the loan becomes past due or non-performing, whichever comes earlier;

- That the loan was granted on or before 15 March 2020 but has been renewed or restructured after 15 March 2020 provided, that the bank demonstrates an increase in its loan portfolio to large enterprises during the month preceding the reserve day.
- That the loan to the large enterprise is not hypothecated or encumbered in any way, or rediscounted with the BSP, or earmarked for any other purpose.

The use of loans to large enterprises as allowable alternative compliance shall be available to banks from 29 May 2020 to 30 June 2023, pursuant to BSP Circular No. 1155 issued on 21 September 2022.

Pursuant to BSP Memorandum Circular No. 1176, Series of 2023, in the case of thrift banks, rural banks, and cooperative banks, the outstanding MSME loans and loans to large enterprises of these banks that are utilised as alternative compliance with the reserve requirement as of 30 June 2023 shall remain eligible for such purpose until said loans are fully paid but not later than 31 December 2025; provided, however, that such MSME loans and loans to large enterprises which subsequently become past due or non-performing, or are extended, renewed, or restructured, shall no longer be eligible as alternative compliance with the reserve requirement. The outstanding balance of MSME loans and loans to large enterprises that are utilised by these banks as compliance with the required reserves as of 30 June 2023 shall not be increased but may be reduced and once reduced, said loans shall not be increased thereafter.

New MSME loans and loans to large enterprises granted after 30 June 2023 by banks shall not be eligible as alternative compliance with the reserve requirement.

On 23 June 2023, the BSP issued Memorandum Circular No. 1175, reducing the reserve requirements against deposit and deposit substitute liabilities (i.e., demand deposits, NOW accounts, savings deposits, time deposits, negotiable CTDs, long-term non-negotiable tax exempt CTDs and deposit substitutes) in local currency of banks, with effect from 30 June 2023 as follows (a) for universal banks from 12% to 9.5%; (b) for thrift banks from 3% to 2%; and (c) for rural and cooperative banks from 2% to 1%. It also provides the reserve requirements against deposit and deposit substitutes in local currency for digital banks which was set at 6%.

On 13 December 2023, the BSP issued Circular No. 1185 granting a gradual reduction of the reserve requirement rate from 1% for the first year from effectivity thereof, to 0% in the succeeding year, effective for another twelve (12) months, against new and outstanding sustainable bonds issued by banks.

Liquidity requirements

Local banks face new liquidity requirements, namely, the LCR and the NFSR, under Basel III. The LCR requires banks to hold sufficient level of HQLAs to enable them to withstand a 30 day-liquidity stress scenario. Meanwhile, the NSFR requires that banks' assets and activities are structurally funded with long-term and more stable funding sources. While both ratios are intended to strengthen banks' ability to absorb shocks and minimise negative spill over to the real economy, compliance with these ratios may also further increase competition among banks for deposits as well as HQLAs.

In March 2016, the Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Starting 1 January 2018, the LCR threshold that banks will be required to meet will be 90%, which was increased to 100% commencing on 1 January 2019. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi-banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

On 15 March 2019, BSP issued BSP Circular No. 1035 which introduced certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. including the (i) extension of the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adoption of the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amendment of the formula for minimum liquidity ratio. The subsidiary banks and

quasi-banks of universal and commercial banks are required to comply with the minimum LCR of 100% starting 1 January 2020.

On 6 June 2018, the BSP issued BSP Circular No. 1007 which sets out the guidelines on the adoption of the Basel III Framework on Liquidity Standards – NSFR. The guidelines require that covered entities maintain an NSFR of at least 100% at all times. The framework applies to all universal and commercial banks, their subsidiary banks, and quasi-banks. The Circular provides for an observation period until 31 December 2018, during which NSFR Reports must be submitted and should a covered entity be unable to meet the minimum NSFR for a period of two consecutive weeks, it must immediately adopt a board-approved stable funding build-up plan. On 15 March 2019, the Monetary Board approved the extension of the observation period for the NSFR of the subsidiary banks and quasi banks of universal and commercial banks until 31 December 2019, moving the effectivity dates of said ratios to 1 January 2010. During the extended observation period, subsidiary banks and quasi-banks of universal and commercial banks are required to comply with a 70% LCR and NSFR, which shall increase to 100% on 1 January 2020. The Monetary Board also approved enhancements to the LRC and minimum liquidity ratio guidelines, including netting of cash inflows and outflows to and from the same derivative counterparty for the LCR framework, and counting interbank placements as eligible liquid assets and adjusting qualifying liabilities through conversion factors to retail current and regular savings deposits worth ₱500,000 and below and certain liability accounts. The internationally agreed start date for the phase-in of liquidity requirements is 1 January 2015.

On 13 February 2020, the BSP issued Memorandum No. M-2020-003 which provided guidelines on the electronic submission of the Basel III NSFR Report and LCR Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for the live implementation of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1034 and 1035 both dated 15 March 2019 on the Amendments to the Basel III Framework on Liquidity Standards - NSFR and the Amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework.

On 4 May 2020, the BSP issued BSP Memorandum Circular No. M-2020-039, which allows universal and commercial banks, and their subsidiary banks and quasi-banks, which have built up their CCB and LCR buffer, to utilise the same during this state of health emergency, subject to the following:

- the bank or quasi-bank which draws down its 2.5% minimum CCB will not be considered in breach of the Basel III risk-based capital adequacy framework but will be restricted from making distributions in the form of dividends (in the case of banks incorporated and established under Philippine laws) or, profit remittance (in the case of a foreign bank branch), share buybacks, discretionary payments on other Tier 1 capital instruments, or discretionary bonus payments to staff; and
- the bank or quasi-bank may draw on its stock of liquid assets to meet liquidity demands to respond to the current circumstances, even if this may cause its LCR to fall below the 100% minimum requirement. In the event the bank or quasi bank has recorded a shortfall in the stock of its HLA for three banking days within any two-week rolling calendar period, thereby causing the LCR to fall below the 100%, such bank or quasi bank must notify the BSP of such a breach on the banking day immediately following the occurrence of the third liquidity shortfall.

Banks and quasi-banks will be given a reasonable time period to restore their Basel III capital conservation and liquidity buffers after the COVID-19 pandemic. Meanwhile, non-compliance with the minimum CAR and NSFR requirements as a result of the COVID-19 pandemic will be handled on a case-by-case basis by the BSP.

Credit risk management

In October 2014, the BSP issued BSP Circular No. 855 which provides for new guidelines on sound credit risk management practices. BSP Circular No. 855 mandates banks to establish appropriate credit risk strategy and policies, processes and procedures including cash flow-based credit evaluation process, and tighter provisioning guidelines. These are seen to increase costs as banks may have to upgrade their risk management systems and provisioning requirements.

Additionally, BSP Circular No. 855 sets the collateral value (CV) for a loan backed up by real estate to only 60% of its appraised value. Banks will still be allowed to lend more than 60% of the CV; however, the portion above 60% will be considered unsecured, thus requiring banks to set up loan loss provisions accordingly. The CV ruling

should not be mistaken for the loanable value, which is the loan amount extended by banks to its borrowers. The current industry practice is an LTV ratio of 70%-80%, which some banks may continue to grant provided that they have strict and consistent lending standards, adequate capital buffer and provisions. This new ruling, along with other BSP regulations intended to avert a property bubble, could result in an overall slowdown in lending to the real estate sector as banks adjust to these rulings.

To better monitor the banking industry's exposure to the property sector, the BSP in September 2012 approved the guidelines that effectively widened the scope of banks' REE to include mortgages and loans extended to the following: individuals to finance the acquisition/construction of residential real estate for own occupancy as well as land developers and construction companies for the development of socialised and low-cost housing. Securities investments issued for purposes of financing real estate activities are also included under the new guidelines. Banks were required to submit the expanded report starting end-December 2012.

Further on 27 June 2014, the BSP issued BSP Circular No. 839 requiring banks to undergo real estate stress tests while setting prudential limits for banks' REE to ensure that they have adequate capital to absorb potential losses to the property sector. Universal and commercial banks as well as thrift banks must meet a capital adequacy ratio of 10% of qualifying capital after adjusting for the stress test results. Further, universal and commercial banks and their thrift bank subsidiaries are required to maintain a level of CET1 capital that is at least 6% of qualifying capital after factoring in the stress scenario. In addition, banks are mandated to submit quarterly report of their REE, in line with the new real estate stress test capital requirements.

On 10 October 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the REE of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 23 November 2017, the BSP issued BSP Circular No. 983 that prescribes the reduction in the reserve requirement rate on repurchase transactions, as well as sets forth the features of the repurchase program that shall be eligible for the zero-reserve rate requirement. Deposit substitutes evidenced by repurchase agreements covering government securities that are transacted in an organised market under the Government Securities Repo Program shall be subject to the reserve requirement of zero percent (0%) beginning the first week of December 2017.

On 20 August 2020, the BSP issued Circular No. 1093 which amends the real estate limits of banks. The previous limit of 20% on REE of universal and commercial banks had been increased to 25%. The REST Limit has also been amended to apply to the following REE: commercial real estate loans, investment in debt securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors, property management companies, for purposes of financing real estate activities, and investments in equity securities issued by land developers/construction companies and other corporate borrowers, such as real estate brokers, real estate lessors and property management companies, for purposes of financing real estate activities. Under the Circular, the manner of computing the REST Limit was revised to remove residential real estate for own occupancy as well as land developers and construction companies for the development of socialized and low-cost housing which was included in the previous regulations. The REE shall not include loans and investments in debt and equity securities the proceeds of which are used to finance infrastructure projects for public use.

On 4 January 2021, the BSP issued Memorandum Circular No. M-2021-002 granting regulatory relief to foreign bank branches with respect to their compliance with the single borrower's limit (**SBL**). Existing foreign bank branches established in the Philippines prior to Republic Act No. 10641 that breach the SBL shall not be subject to sanctions until 31 December 2021, provided certain conditions are met.

On 23 August 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management

oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

Limitations on operations

The Single Borrower's Limit

Except as prescribed by Monetary Board for reasons of national interest, the total amount of loan, credit accommodations and guarantees (determined on the total credit commitment) that may be extended by a bank to any person or entity shall at no time exceed 20.0% of the net worth of the bank (or 30.0% of the net worth of the bank in the event that certain types and levels of security are provided). This ceiling may be adjusted by the Monetary Board from time to time. as at 31 December 2011, the ceiling applicable to the Bank was 25.0% (or 35.0% of the net worth of the bank in the event that certain types and levels of security are provided). The ceiling may be increased by the following percentages: (a) an additional 10% of the net worth of the bank as long as the additional liabilities are secured by shipping documents, trust or warehouse receipts or other similar documents which cover marketable, nonperishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under the Public-Private Partnership Program of the government duly certified by the Secretary of Socio-Economic Planning; (ii) these additional liabilities should not exceed 25% of the net worth of the bank; and (iii) the additional 25% shall only be allowed for a period of six years from 6 December 2010; and (c) an additional 15% of the net worth of the bank provided that the additional loans, credit accommodations and guarantees are used to finance oil importation of oil companies which are not subsidiaries or affiliates of the lending bank which is also engaged in energy and power generation. To encourage BSFIs to engage in agricultural value chain financing, the total amount of loans, credit accommodations and guarantees may also be increased by an additional 25.0% granted to entities, which act as value chain aggregators of the lending banks' clients, and/or economically-linked entities that are also actors/players in the value chain, which shall only be for a period of three years from 14 March 2016, subject to review after said period.

The limitations shall not apply to (a) loans and other credit accommodations secured by obligations of the BSP or of the Government; (b) loans and other credit accommodations fully guaranteed by the Government as to the payment of principal and interest; (c) loans and other credit accommodations secured by U.S. Treasury Notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies; (d) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits maintained in the lending bank and held in the Philippines; (e) loans, credit accommodations and acceptances under letters of credit to the extent covered by margin deposits; and (f) other loans or credit accommodations which the Monetary Board may from time to time specify as non-risk items. On 5 July 2017, the BSP issued BSP Circular No. 965, approving the guidelines on the exclusion from the SBL of banks and quasi-banks' short-term exposures to clearing and settlement banks arising from payment transactions.

On 30 April 2018, the BSP issued BSP Circular No. 1001 which provided for a separate individual limit of 25.0% of the net worth of the lending bank for loans, credit accommodations and guarantees granted by a bank to an entity for the purpose of project finance. The applicability of the separate individual limit shall be subject to the following conditions: (a) the unsecured portion shall not exceed 12.5% of the net worth of the lending bank when the project is already operational; (b) such project finance loans are for the purpose of undertaking initiatives that are in line with the priority programs and projects of the government; (c) the lending bank shall ensure that the standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of a borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project document; (d) the lending bank shall consider its total project finance exposures in complying with the guidelines in managing large exposures and credit risk concentrations; (e) the subsidiary or affiliate is not a related interest of any of the director, officer, and/or stockholder of the lending bank; and (f) the total outstanding loans, other credit accommodations and guarantees to all subsidiaries and affiliates shall be subject to the aggregate limits for RPTs.

On 10 February 2020, the BSP issued Circular No. 1073 which extended the transitory period on single borrower's limit of foreign bank branches to until 31 December 2020. On 4 January 2021, the BSP issued Memorandum No. M2021-002 again extending the transitory period. Existing foreign branches shall be given

until 31 December 2021 to use twice the level of capital as net worth, as reference point for purposes of determining the appropriate SBL.

BSP issued BSP Memorandum No. M-2020-11 dated 19 March 2020, Memorandum No. M-2020-057 dated 21 July 2020, Memorandum No. M-2021-026 dated 26 April 2021, and Memorandum No. M-2022-004 which provided relief measures to BSFIs. This includes an increase in the single borrower's limit from 25% to 30% until 31 December 2022.

On 22 July 2020, the BSP issued Circular No. 1091, which excluded debt securities held by market makers from the single borrower's limit for a period of ninety (90) days from the date of acquisition, if acquired from 1 August 2020 to 31 July 2021, and not exceeding sixty (60) days, if acquired after 1 August 2021. On 5 January 2023, the BSP issued Circular No. 1164 which provided for minimum operational requirements for credit risk transfer agreements to be excluded from the total credit commitment of a bank to a borrower in reckoning compliance with the Single Borrower's Limit.

On 5 January 2023, the BSP issued Circular No. 1164 which provides for the definition of credit risk transfer and clarifies that loans and other credit accommodations or portion thereof covered by an effective credit risk transfer arrangement in the form of a guarantee or credit derivative that complies with the minimum operational requirements provided under the MORB shall be excluded from the total credit commitment of the bank to a borrower in reckoning compliance with the SBL. Meanwhile, the portion of the loans and other credit accommodations that is riot covered by an effective credit risk transfer arrangement. if any. shall still form part of the credit commitment of the bank to the borrower in reckoning compliance with the SBL.

On 13 December 2023, the BSP issued Circular No. 1185 granting an additional SBL of 15% of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities to decarbonization, and a gradual reduction of the reserve requirement rate from 1% for the first year from effectivity thereof, to 0% in the succeeding year, effective for another twelve (12) months, against new and outstanding sustainable bonds issued by banks.

Limitation on Transfer of Shares

Prior approval by the BSP is required for the transfers or acquisitions, or a series thereof, of at least ten percent (10%) of the voting shares in banks or quasi-banks. The selling or conveying stockholder shall submit such transfer or acquisition for approval by the BSP within such period as may be prescribed by the Monetary Board. In approving such transfers or acquisitions, regard shall be given by the BSP to the fitness of the incoming stockholders as may be indicated in their integrity, reputation and financial capacity.

Without BSP approval, no such transfer or acquisition shah have legal effect nor shall the same be recognized in the books of the institution or by any government agency, and the transferor-stockholders shall remain accountable and responsible therefor.

Transfer of actual control or management of the institution to the new stockholders or their representatives prior to BSP approval shall make the transferor, the transferee and any person responsible therefor liable under Sections 36 and 37 of the New Central Bank Act. Notwithstanding any provision of law to the contrary, the BSP may share with the Philippine Deposit Insurance Corporation any information that the BSP may obtain pertaining to transfer or acquisition of shares or series of transfers or acquisition of shares in banks and quasi-banks.

Limitation on DOSRI Transactions

No director or officer of any bank shall directly or indirectly, for himself or as the representative or agent of others, borrow from such bank nor shall he become a guarantor, endorser or surety for loans from such bank to others, or in the manner be an obligor or incur any contractual liability to the bank except with the written approval of the majority of all the directors of the bank, excluding the director concerned.

After due notice to the board of directors of the bank, the office of any officer or director who violates the DOSRI limitation may be declared vacant and such erring officer or director shall be subject to the penal provisions of the New Central Bank Act. The DOSRI account shall be limited to an amount equivalent to their respective unencumbered deposits and book value of their paid-in capital contribution in the bank. The limitation excludes

loans, credit accommodations and guarantees secured by assets which the Monetary Board considers as non-risk.

Any director, officer or stockholder who, together with his related interest, contracts a loan or any form of financial accommodation from: (1) his bank or (2) from a bank (a) which is a subsidiary of a bank holding company of which both his bank and the lending bank are subsidiaries or (b) in which a controlling proportion of the shares is owned by the same interest that owns a controlling proportion of the shares of his bank, in excess of 5% of the capital and surplus of the bank, or in the maximum amount permitted by law, whichever is lower, shall be required by the lending bank to waive the secrecy of his deposits of whatever nature in all banks in the Philippines. Any information obtained from an examination of his deposits shall be held strictly confidential and may be used by the examiners only in connection with their supervisory and examination responsibility or by the BSP in an appropriate legal action it has initiated involving the deposit account.

On 2 June 2016, the Monetary Board approved the revisions to prudential policy on loans, other credit accommodations, and guarantees granted to DOSRIs. The Monetary Board approved the exclusion of loans, other credit accommodation and guarantees granted by a bank to its DOSRI for the purpose of project finance from the 30% unsecured individual ceiling during the project gestation phase, provided, that the bank shall ensure that standard prudential controls in project finance loans designed to safeguard creditors' interests are in place, which may include pledge of the borrower's shares, assignment of the borrower's assets, assignment of all revenues and cash waterfall accounts, and assignment of project documents.

On 23 June 2016, the BSP issued BSP Circular No. 914, Series of 2016 amending the prudential policy on loans, other credit accommodations, and guarantees granted to DOSRI, subsidiaries and affiliates. BSP Circular No. 914 has raised the ceilings on the exposures of subsidiaries and affiliates of banks to priority programs particularly infrastructure projects under the PDP/PIP needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to conditions. Further, the circular also provides for a refined definition of "related interest" and "affiliates" to maintain the prudential requirements and pre-empt potential abuse in a borrowing transaction between the related entities. The circular also amends the capital treatment of exposures to affiliates by weighing the risk of both the secured and unsecured loans granted to the latter.

On 23 December 2020, the BSP issued BSP Circular No. 1107, wherein the Monetary Board approved the prudential requirements for designated clearing and settlement banks for purposes of compliance with DOSRI regulations, as well as FCDU asset cover and minimum capital requirements. The Monetary Board approved the exclusion of the term loans, other credit accommodations and guarantees by Interbank call loan transactions, and short-term exposures of designated clearing and settlement bank to other financial institutions that own or control directly or indirectly such clearing and settlement bank, pursuant to its function as designated clearing and settlement bank. Short-term exposures shall cover payment transactions pertaining to fund transfer services, check clearing, foreign exchange trades, security trades, security custody services, and other short-term payment transactions that pass through a clearing and settlement account. An exposure is considered short-term if the placement of funds into a clearing and settlement account does not exceed five (5) banking days. The designated clearing and settlement bank shall adopt appropriate control measures to ensure that the account opened in financial institutions that own or control directly or indirectly such clearing and settlement bank is maintained exclusively for facilitating the clearing and settlement of short-term transactions, and said account is not subject to a minimum balance requirement.

Limitations on Loans and Credit Accommodations

As a general rule, loan and other credit accommodation against real estate shall not exceed 60% of the appraised value of the real estate security plus 60% of the appraised value of the insured improvements, and such loans may be made to the owner of the real estate or to his assignees, except for the following which shall be allowed a maximum value of 70% of the appraised value of the insured improvements: (a) residential loans not exceeding ₱3.5 million to finance the acquisition or improvement of residential units; and (b) housing loans extended by or guaranteed under the Government's "National Shelter Program", such as the Expanded Housing Loans Program of the Home Development Mutual Fund and the mortgage and guaranty and credit insurance program of the Home Insurance and Guaranty Corporation. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial position and ability to service the debt and must obtain certain documentation from the

borrower, such as financial statements and tax returns. Any unsecured lending should be only for a time period essential for completion of the operations to be financed. Likewise, loans against chattels and intangible properties shall not exceed 75% of the appraised value of the security and such loans may be made to the titleholder of the unencumbered chattels and intangible properties or his assignee.

On 4 February 2008, the BSP issued Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans and amending the inclusions and exclusions to be observed in the computation.

On 10 October 2017, the BSP issued Circular No. 976 which approved amendments to the expanded report on the REE of banks and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20% limit on real estate loans.

On 27 October 2017, the BSP issued BSP Circular No. 978 which provided for exclusion of the portion of loans and other credit accommodation covered by guarantees of international/regional institutions/multilateral financial institutions where the Philippine Government is a member/shareholder, from the ceilings on total outstanding loans, other credit accommodations and guarantees granted to banks' subsidiaries and affiliates. BSP Circular No. 978 excluded the following in determining compliance with the ceilings provided under BSP Circular No. 914: (1) Loans, other credit accommodations and guarantees secured by assets considered as non-risk under existing BSP regulations; (2) IBCLs; and (3) The portion of loans and other credit accommodations covered by guarantees of international/regional institutions/ multilateral financial institutions where the Government is a member/shareholder, such as the International Finance Corporation and the Asian Development Bank.

On 20 August 2020, the BSP Circular No. 1093 expanded the real estate loan limit for universal and commercial banks from 20% to 25%.

On 19 January 2023, the BSP approved Circular No. 1165, which imposed a 36% annual interest rate ceiling on all credit card transactions and a ₱200.00 maximum processing fee in the case of credit card cash advances, except credit card installment loans which shall be subject to a monthly add-on rate not exceeding 1%, subject to review by the BSP every six months.

Limitation on Investments

The total investment of a universal bank in equities of allied and non-allied enterprises shall not exceed 50% of its net worth. Moreover, the equity investment in any one enterprise whether allied or non-allied, shall not exceed 25% of the net worth of the universal bank. Net worth for this purpose is defined as the total unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of valuation reserves and other adjustments as may be required by BSP. The Monetary Board must approve such acquisition of equities. Further, the BSP may impose conditions on any approval of a major investment and has the authority to seek corrective action.

A universal bank can own up to 100% of the equity in a thrift bank, a rural bank or a financial or non-financial allied enterprise. A publicly listed universal bank, such as the Bank, may own up to 100% of the voting stock of only one other universal or commercial bank. However, with respect to non-allied enterprise, the equity investment in such enterprise by a universal bank shall not exceed 35% of the total equity in the enterprise nor shall it exceed 35% of the voting stock in that enterprise.

A bank's total investment in real estate and improvements including bank equipment shall not exceed 50% of the combined capital accounts. Further, the bank's investment in another corporation engaged primarily in real estate shall be considered as part of the bank's total investment in real estate, unless otherwise provided by the Monetary Board.

The limitation stated above shall not apply with respect to real estate acquired by way of satisfaction of claims. However, all these properties must be disposed by the bank within a period of five years or as may be prescribed by the Monetary Board.

On 26 November 2019, the BSP issued Memorandum Circular No. M-2019-028, requiring all BSP-supervised financial institutions to take the enumerated preventive measures against illegal investment schemes, including "Ponzi Scheme(s)."

On 4 February 2021, the BSP issued Circular No. 1109, reducing the minimum size of each investment management account and expanding the securities eligible as investment outlet for commingled funds under investment management.

On 23 August 2022, the BSP issued Circular No. 1149 which provides the guidelines on the integration of sustainability principles in investment activities of banks. This Circular requires banks to consider environmental and social risks in defining credit risk appetite and ensure that such investment does not contribute to sectors considered to have harmful effects to the environment or society. The Circular covers all of a bank's investments in the trading and banking books but do not apply to bank's (a) investments that grant control over an enterprise and are accounted for using the equity method; (b) transactions in derivatives involving stand-alone contracts; and (c) receivables arising from repurchase agreements.

On 8 August 2024, the BSP issued Circular No. 1199 which provides for the guidelines on the divestment of equity investments by banks which are not allowed under applicable laws or which do not comply with applicable regulations. Under this Circular, a bank which has been directed to divest specific equity investments which do not comply with applicable regulations are required to submit a divestment plan to the appropriate supervising unit or department of the BSP and regularly provide status of the implementation of the plan.

Prohibition to act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer.

Limitations on Outsourcing

A bank is prohibited from outsourcing its inherent banking functions, such as the taking of deposits from the public, granting of loans and extension of other credit exposures, management of risk exposures, and general management.

Management contracts of banks with management firms shall be limited to consultancy and advisory services. It can outsource, in accordance with BSP regulations, certain activities to address resource constraints and to have access to certain areas of expertise. Should the bank opt to outsource, it shall manage its risks such as reputational/legal, operational, confidentiality, compliance, country and concentration risks.

On 18 February 2022, the BSP issued Circular No. 1137 which requires banks to evaluate whether an outsourcing arrangement is material or non-material to the business. An arrangement is considered material if a business disruption of an outsourced activity, service delivery failure and/or data/security breach will result in significant impact to the bank's operations, financial condition, reputation, and compliance with laws and regulations. For material outsourcing arrangement, only banks with a Supervisory Assessment Framework composite rating of at least "3" shall be allowed to outsource designated activities without prior BSP approval, subject to notification requirements. Otherwise, Banks with lower rating must secure approval from the appropriate supervising department prior to implementation of the material outsourcing arrangement. Moreover, the said issuance requires the observance of the guidelines and requirements of outsourcing to third-party providers when the bank itself acts the service provider, or participates in intra-group outsourcing or engages in offshore outsourcing.

Permitted Services

In addition to the operations incidental to its banking functions, a bank may perform the following services:

- receive in custody funds, documents and valuable objects;
- act as financial agent and buy and sell, by order of and for the account of their customers, shares evidences of indebtedness and all types of securities;
- make collections and payments for the account of others and perform such other services for their customers as are not incompatible with banking business;

- upon prior approval of the Monetary Board, act as the managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; and
- rent out safety deposit boxes.

BSP Circular No. 1003, issued on 16 May 2018, outlined the Guidelines on the Establishment and Operations of Bank and Non-Bank Credit Card Issuers to implement Republic Act No. 10870, also known as the Philippine Credit Card Industry Regulations Law.

The Framework for Basic Deposit Accounts, found in BSP Circular No. 992 dated 1 February 2018, was issued, with a view towards promoting account ownership among the unbanked by imposing no minimum maintaining balance and an opening amount of not more than ₱100.00. It also supports the National Retail Payments System, which aims to promote resort to digital payments in the country. On 5 October 2018, BSP issued Memorandum No. M2018-27, prescribing the guidelines on the electronic submission of the updated reports arising from Circular No. 992.

BSP Circular No. 1049, Series of 2019, which implements RA No. 11127 or the National Payment Systems Act, allows banks to function as an Operator of Payment Systems (OPS). Banks can register as an OPS by notifying the BSP of their OPS activities.

An OPS is a person that performs any of the following functions:

- Maintains the platform that enables payments or fund transfers, regardless of whether the source and destination accounts are maintained with the same or different institutions;
- Operates the system or network that enables payments or fund transfers to be made through the use of a payment instrument;
- Provides a system that processes payments on behalf of any person or the government; and
- Such other activities similar to the foregoing.

On 19 July 2024, the BSP issued Circular No. 1198 on the Regulatory Framework for Merchant Payment Acceptance Activities. Under this Circular, entities, including banks, are required to secure an authority from the BSP prior to engaging in merchant acquisition in the Philippines or providing the service of accepting and processing payment transactions on behalf of a merchant under an agreement, resulting in a transfer of funds to the merchant. Based on this Circular, banks with concurrent OPS license that are engaged in or intending to engage in merchant payment acceptance activities are expected to adhere to the more stringent requirements between the guidelines under BSP Circular 1198 and the applicable provisions of the MORB.

Anti-Money Laundering Act of 2001

The AMLA, as amended, requires covered institutions such as banks including its subsidiaries and affiliates, to provide for customer identification, record keeping and reporting of covered and suspicious transactions.

On 15 February 2013, Republic Act No. 10365, which took effect on 7 March 2013, expanded the AMLA covered institutions and crimes. Additions to the enumeration of covered persons include jewellery selling agents for transactions in excess of ₱1 million; company service providers, or those who form companies for third parties, hold positions as directors or corporate secretaries for third parties, provide business addresses or engage in correspondence or act as nominee shareholder for others. Likewise, the following persons were added to the list: persons (a) who manage their client's money, security or other assets, or (b) who manage bank or securities accounts, or (c) who organise funds for the creation, operation or management of companies, or (d) who create, operate or manage entities or relationships, or (e) buy and sell business entities. The 2016 Revised Implementing Rules and Regulations of the AMLA was approved by the AMLC on 21 December 2016. On 15 March 2017, the BSP issued BSP Circular No. 950 to amend the MORB in order to effectively implement the provisions of the AMLA, as amended, and the revised implementing rules and regulations of the AMLA, as amended. In July 2017, R-A No. 10927 further expanded the coverage of AMLA to include casinos for a single casino cash transaction involving an amount in excess of ₱5 million or its equivalent in any other currency. In January 2021, RA No. 11521 added two new covered persons who are now required to report covered and suspicious transactions to the Anti-Money Laundering Council – (1) "real estate developers and brokers;" and (2) "offshore gaming operators, as well as their service providers, supervised, accredited or regulated by the Philippine Amusement and Gaming Corporation (PAGCOR) or any government agency." This also provided a new kind of

covered transaction -- for real estate developers and brokers, a single cash transaction involving an amount exceeding ₱7.5 million will be a covered transaction.

Covered transactions are single transactions in cash or other equivalent monetary instrument involving a total amount in excess of ₱500,000.00 within one Banking Day, and for covered persons under Section 3(a)(8), a single casino transaction involving an amount in excess of ₱5 million or its equivalent in any other currency.

Suspicious transactions are transactions with covered institutions such as a bank, regardless of the amount involved, where any of the following circumstances exists:

- there is no underlying legal or trade obligation, purpose or economic justification;
- the customer or client is not properly identified;
- the amount involved is not commensurate with the business or financial capacity of the client;
- the transaction is structured to avoid being the subject of reporting requirements under the AMLA;
- there is a deviation from the client's profile or past transaction;
- the transaction is related to an unlawful activity or offence under the AMLA;
- similar or analogous transactions to the above.

Failure by any responsible official or employee of a bank to maintain and safely store all records of all transactions of the bank, including closed accounts, for five years from date of transaction/closure of account shall be subject to a penalty of six months to one year imprisonment and/or fine of ₱500,000.00.

Malicious reporting of completely unwarranted or false information relative to money laundering transaction against any person is punishable by six months to four years imprisonment and a fine of not less than ₱100,000.00 and not more than ₱500,000.00.

In compliance with the law, banks, their officers and employees are prohibited from communicating directly or indirectly to any person or entity, the media, the fact that a covered or suspicious transaction has been reported or is about to be reported, the contents of the report, or any information relating to such report. Neither may such report be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. A violation of this rule is deemed a criminal act.

Money laundering is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

(a) transacts said monetary instrument or property;
(b) converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
(c) conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
(d) attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);
(e) aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above;
(f) performs or fails to perform any act as a result of which the person facilitates the offense of money laundering referred to in paragraphs (a), (b) or (c) above; and
(g) knowingly fails to disclose and file with AMLC any monetary instrument or property required to be disclosed and filed.

Certain inquiries on bank deposits and investments made by the AMLC are exempted from the Bank Secrecy Laws. The AMLC may inquire into or examine deposits or investments, including related accounts, with any banking institution or non-bank financial institution upon order of the Court of Appeals based on an ex parte application in cases of violations of the AMLA, when there is probable cause that such deposits or investments are related to an unlawful activity under Sec 3 (i). However, there are certain activities wherein a court order is not required to examine such accounts.

Under AMLA, banks, as covered persons, are required to report to the AMLC all covered transactions and suspicious transactions within a period of five working days from occurrence thereof, unless the AMLC prescribes a different period not exceeding 15 working days. The Court of Appeals, upon verified ex-parte application by

the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity as defined in the AMLA, has the authority to issue a freeze order which shall be effective immediately, and which shall not exceed six months depending upon the circumstances of the case. However, if no case is filed against a person whose account has been frozen within the period determined by the Court of Appeals (but not exceeding six months), the freeze order shall be deemed automatically lifted, provided, that a freeze order is without prejudice to an asset preservation order which the relevant trial court may issue upon the same assets. Further, a freeze order or asset preservation order shall be limited only to the amount of cash or monetary instrument or value of property which the court finds probable cause to consider such property as proceeds of the predicate crime.

On 11 December 2024, the AMLC issued Regulatory Issuance No. 2, Series of 2024 of the Guidelines on Transaction Reporting and Compliance Submissions (**GoTRACS**) to provide covered persons with a set of guidelines to carry out one of their primary duties as covered persons, particularly on transaction reporting.

BSP Circular No. 495 issued on 20 September 2005, as amended by BSP Circular 527 issued on 28 April 2006, required all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by 14 October 2007. The said system should, at the minimum, be able to detect and raise to the bank's attention, transactions and/or accounts that qualify either as "covered transactions" or "suspicious transactions" as defined under AMLA.

BSP Memorandum No. M2012-017 issued on 4 April 2012, as affirmed by BSP Circular No. 950 issued on 15 March 2017 likewise requires all covered banking institutions to comply with the anti-money laundering risk rating system (**ARRS**), a supervisory system that aims to ensure that mechanisms to prevent money laundering and terrorist funding are in place and effectively implemented in banking institutions. Under the ARRS, each institution is rated based on the following factors: (a) efficient board of directors and senior management oversight; (b) sound anti-money laundering policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the board of directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of nondiscrimination against certain types of customers.

Institutions that are subject to AMLA are also required to establish and record the identities of their clients based on official documents. In addition, all records of transactions are required to be maintained and stored for a minimum of five years from the date of a transaction, unless a case has been filed involving the account, then the records must be retained and safely kept beyond the five year period until it is officially confirmed by the AMCL Secretariat that the case has been resolved, decided or terminated with finality. Records of closed accounts must also be kept for five years after their closure.

On 20 April 2018, the AMLC issued AMLC Letter No. AMLET-18-03, providing for Operational Guidelines in the Conduct of the 2018 Third Round Mutual Evaluation of the Philippines (the Guidelines). The Guidelines aim to (a) create an inter-agency Mutual Evaluation Working Group and sub-working groups; (b) enumerate the functions and obligations of the member-agencies with respect to the Mutual Evaluation process; (c) outline the Mutual Evaluation process and provide guidance as to the different components of the process; (d) provide timelines for the Mutual Evaluation process and Mutual Evaluation-related activities; (e) enumerate effects of a "non-compliant" or "poor" Mutual Evaluation; and (f) lay down the framework towards the adoption of a national AML/CFT Strategy. The Guidelines are addressed to all participating government agencies and other entities.

The Mutual Evaluation is a government-wide concern as what will be assessed is the compliance of the Philippines with the Financial Action Task Force Forty Recommendations and the effectiveness of its AML/CFT regime. The entire Mutual Evaluation process spans two (2) years, and will require the support and active participation of various government agencies, including supervisory authorities, law enforcement agencies, and public and private stakeholders. The Philippines will be evaluated by a pool of experts from Financial Intelligence Units from other member-jurisdictions of the Asia-Pacific Group on Money Laundering (**APG**), pursuant to the APG's membership rules.

On 22 November 2018, the AMLC approved the 2018 Implementing Rules and Regulations of the AMLA prescribing, among others, the guidelines on identifying and recording beneficial ownership. In relation thereto,

on 14 January 2019, BSP issued Circular Letter No. CL-2019-002, addressed to all BSFIs of the guidelines issued by the AMLC on digitisation of customer records and identification of beneficial owners.

Moreover, the Implementing Rules and Regulations of the Anti-Money Laundering Act of 2001 requires compliance officers which will oversee the Anti-Money Laundering Program. This is also reflected in the amendments to the Revised Corporation Code mandating banks to elect a compliance officer.

On 17 November 2021, the AMLC issued Regulatory Issuance No.8 providing for the guidelines on the preservation, management, and disposal of assets subject of a freeze order, asset preservation order, and judgment of forfeiture.

On 29 January 2020, the AMLC issued AMLC Regulatory Issuance (**ARI**) A, B and C No. 1 (2020), which amends certain provisions of the 2018 implementing Rules and Regulations of Republic Act No. 9160, as amended.

The ARI added provisions on immediate family members and close associates of politically-exposed persons and expanded the definition of a customer or client to include juridical persons. Such resolution also provided that the suspicious transaction report shall cover all transactions, whether completed or attempted, and shall be promptly filed within the next working day from the occurrence thereof.

On 23 November 2020, the BSP issued Memorandum No. M-2020-084, which introduced the money laundering/terrorist/proliferation financing risk assessment system (**MRAS**) for BSP-supervised financial institutions. The MRAS employs a four-point rating scale to categorize the net risk of money laundering, terrorist financing, and proliferation financing, ranging from low, moderate, above average, to high. The MRAS replaces the previous anti-money laundering risk rating system (**ARRS**) that was used for BSFIs. On 29 April 2024, the BSP issued Circular No. 1193 which amended the relevant regulations of the BSP on money laundering/terrorist/proliferation financing reporting and notification requirements. The Circular was issued to enable the BSP to have timely and accurate information on significant risk events arising from money laundering/terrorist/proliferation financing-related activities and or transactions, as part of its risk-based anti-money laundering and countering the terrorism and proliferation financing supervision.

On 29 January 2021, the AMLA was further amended to include violations under the SRC and Strategic Trade Management Act. It also includes tax deficiencies in excess of ₱25,000,000. The AMLC is also empowered to issue *ex parte* freeze orders in cases of violations involving terrorist financing.

On 30 March 2023, the BSP issued Circular No. 1170 which provided amendments on the regulations relating to the banks' conduct of customer due diligence. Under this Circular, banks are required to use a risk-based approach in conducting customer due diligence. It provides regulations on electronic Know-Your-Customer (**e-KYC**) using digital identity (**ID**) system.

On 4 July 2023, the Office of the President issued Memorandum Circular No. 33, adopting the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027. This strategy outlines seven strategic objectives designed to address the risks and deficiencies in the Philippines' AML/CFT systems. Each objective includes action plan items to be completed by relevant government agencies.

The strategy aims to respond to findings from the APG and the FATF, which placed the Philippines on the Grey List, or "Jurisdictions Under Increased Monitoring," after a twelve-month observation period due to the country's failure to make tangible progress on key FATF recommendations. By reorganizing the National AML/CTF Coordinating Committee and implementing the National Anti-Money Laundering/Counter-Terrorism Financing/Counter-Proliferation Financing Strategy 2023-2027, the Philippine government aims to enhance the effectiveness of its AML, CTF, and CPF measures and facilitate the country's removal from the FATF Grey List.

On 21 February 2025, the AMLC announced the removal of the Philippines from the FATF's Grey List. According to the AMLC, the Philippines' exit from the FATF greylist is expected to facilitate faster and lower- cost cross-border transactions, reduce compliance barriers, and enhance financial transparency. These will support business, strengthen the country's position as an attractive destination for foreign direct investment, and benefit Filipinos, particularly overseas Filipino workers.

Revised Corporation Code

The Revised Corporation Code was signed into law on 20 February 2019 and became effective on 8 March 2019. Among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the SEC that it elects to retain its specific corporate term under its current Articles of Incorporation. If the bank's corporate term has expired, an application for the revival of its corporate existence must be accompanied by a favourable recommendation from the BSP.
- A corporation vested with public interest must submit to its shareholders and to the Commission an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.
- Banks, quasi-banks, pawnshops, non-stock savings and loan associations (**NSSLA**), and corporations engaged in money service business, preneed trust and insurance companies, and other financial required, must have at least twenty percent (20%) independent directors in the Board, in accordance with the Securities and Regulation Code. This requirement also applies to other corporations engaged in businesses imbued with public interest, as may be determined by the Commission.
- The Code allows the creation of a "One Person Corporation". However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly listed companies, among others, from being incorporated as such. This restriction also applies with respect incorporations as Close Corporation.
- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds -(2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.
- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorised by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.
- As to amendments made to the articles of incorporation or by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such articles of incorporation, bylaws or amendments are in accordance with law, must be submitted.
- A favourable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the SEC approves any merger or consolidation; or any voluntary dissolution.
- In case of transfer of shares of listed companies, the SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the SEC.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

The Philippine Competition Act

RA No. 10667, or the Philippine Competition Act (**PCA**) was signed into law on 21 July 2015 and took effect on 8 August 2015. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to enhance economic efficiency and promote free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the **PCC**), an independent quasi-judicial agency with five commissioners. Among its powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, however, the PCC must still apply for a warrant with the relevant court.

The PCA prohibits and imposes sanctions on: (a) anti-competitive agreements between or among competitions, (b) mergers and acquisitions which have the object or effect of substantially preventing, restricting or lessening competition, and (c) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to certain exceptions.

On 3 June 2016, the PCC issued the implementing rules and regulations of the PCA (**IRR**). Under the IRR, as a general rule, parties to a merger or acquisition are required to provide notification when:

(a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of the acquiring or the acquired entities exceed ₱1 billion; and
(b) the value of the transaction exceeds ₱1 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1 billion.

On 10 March 2018, the PCC issued Memorandum Circular No. 18-001 (MC No. 18-001) to amend Section 3, Rule 4 of the IRR to increase the initial thresholds. Under MC No. 18-001, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5 billion; and (b) the value of the transaction exceeds ₱2 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2 billion; or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2 billion. As provided in MC No. 18-001, the thresholds shall be automatically adjusted commencing on 1 March 2019 and on March 1st of every succeeding year, using as index the Philippine Statistics Authority's official estimate of the nominal GDP growth of the previous calendar year rounded up to the nearest hundred million. The revised thresholds, however, shall not apply to mergers or acquisitions pending review by the PCC; notifiable transactions consummated before the effectivity of the memorandum circular; and transactions already subject of a decision by the PCC.

PCC Commission Resolution No. 3-2019 further adjusted the thresholds such that effective 1 March 2019, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate parent entity controls, directly or indirectly, exceed ₱5.6 billion; and (b) the value of the transaction exceeds ₱2.2 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.2 billion; or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.2 billion. On 11 February 2020, the notification thresholds were further adjusted by PCC Commission Resolution No. 02-2-2020 such that effective 1 March 2020, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity of at least one of the acquiring or acquired entities, including that of all entities that the ultimate

parent entity controls, directly or indirectly, exceed ₱6 billion; and (b) the value of the transaction exceeds ₱2.4 billion, as determined in the IRR; while parties to a joint venture transaction shall be subject to the notification requirement if either (a) the aggregate value of the assets will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱2.4 billion; or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱2.4 billion.

Violations of the PCA and the IRR have severe consequences. Under the PCA and the IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Criminal penalties for entities that enter into anti-competitive agreements, as defined, include: (a) a fine of not less than ₱50 million but not more than ₱250 million; and (b) imprisonment for two to seven years for directors and management personnel who knowingly and wilfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On 15 September 2017, the PCC published the 2017 Rules of Procedure (Rules of Procedure) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules of Procedure also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On 23 November 2017, the PCC published the 2017 Rules on Merger Procedures (the Merger Rules) which provides the procedure for the review or investigation of mergers and acquisition pursuant to the IRR. The Merger Rules provides, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within thirty (30) days from the signing of definitive agreements relating to the notifiable merger.

On 28 May 2019, the PCC approved the Expedited Merger Rules which apply when: (1) there are no actual or potential horizontal or vertical (including complementary) relationship in the Philippines between the acquiring entity and the acquired entity and the entities it controls; (2) the merger is a global transaction where the acquiring and acquired entities identified in the definitive agreement are foreign entities (foreign parents), and their subsidiaries in the Philippines act merely as manufacturers or assemblers of products with at least 95% of such products exported to the foreign parents, subsidiaries, affiliates or third parties located outside the Philippines: Provided, That the remaining 5% product sales in a market in the Philippines is minimal in relation to the entirety of such Philippine product market; (3) the candidate relevant geographic market of the merger is global and the acquiring and acquired entities have negligible or limited presence in the Philippines; and (4) joint ventures, whether incorporated or not, formed purely for the construction and development of a residential and/or commercial real estate development project.

On 19 January 2021, the PCC issued Memorandum Circular No. 21-001 adjusting the schedule of fines for violations of the 2017 Rules of Procedure and the Rules of Merger Procedure. Administrative fines may amount to up to ₱275 million. Commitment of acts such as, failure to comply with a ruling, order, or decision of the PCC or the disclosure, publication, transfer, copying or dissemination of confidential information may amount to a fine of ₱55,000 up to ₱2.2 million.

On 13 September 2022, the PCC issued Memorandum Circular No. 18-2022, setting the thresholds for the Size of Party Test and Size of Transaction Test at ₱6,100,000,000 and ₱2,500,000,000, respectively. The PCC, in Commission Resolution No. 04-2023, further adjusted the thresholds for the Size of Party Test and Size of Transaction Test. As of 1 March 2023, transactions which meet the Size of Party threshold of ₱7,000,000,000 and Size of Transaction threshold of ₱2,900,000,000 are subject to compulsory notification.

On 21 February 2024, PCC Memorandum Circular 01-2024 revised the mandatory PCC notification thresholds effective 1 March 2024, to mergers and acquisitions that exceed the Size of Party and Size of the Transaction thresholds set at ₱7.8 billion and ₱3.2 billion.

The threshold amounts were last modified by the PCC in a press release dated 15 April 2025. Effective 1 March 2025, mergers and acquisitions that exceed the Size of Party and Size of the Transaction thresholds set at ₱8.5 billion and ₱3.5 billion, respectively, are subject to mandatory PCC notification.

Data Privacy Act

RA No. 10173, otherwise known as the Data Privacy Act of 2012 (**Data Privacy Act**), was signed into law on 15 August 2012, to govern the processing of all types of personal information (i.e., personal, sensitive, and privileged information) in the hands of the government or private natural or juridical person through the use of Information and Communications System (**ICT**), which refers to a system for generating, sending, receiving, storing or otherwise processing electronic data messages or electronic documents and includes the computer system or other similar device by or which data is recorded, transmitted or stored and any procedure related to the recording, transmission or storage of electronic data, electronic message, or electronic document. While the law expressly provides that it does not apply to certain types of information, including those necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws, the said law applies to all other personal information obtained by banks for other purposes. It mandated the creation of a National Privacy Commission, which shall administer and implement the provisions of the Data Privacy Act and ensure compliance of the Philippines with international standards set for data protection. The Philippines recognises the need to protect the fundamental human right of privacy and of communication, while ensuring free flow of information to promote innovation and growth. It also identifies the vital role of information and communications technology in nation building and its inherent obligation to ensure that personal information in ICT in the government and in the private sector are secured and protected.

The Data Privacy Act seeks to protect the confidentiality of "personal information", which is defined as "any information, whether recorded in material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual." The law provides for certain rights of a data subject or an individual whose personal information is being processed. The law imposes certain obligations on "personal information controllers" and "personal information processors". It also provides for penal and monetary sanctions for violations of its provisions.

The Data Privacy Act does not apply to information necessary for banks and other financial institutions under the jurisdiction of BSP to comply with the AMLA and other applicable laws.

Financial Institutions Strategic Transfer Act of 2021

RA No. 11523, otherwise known as the Financial Institutions Strategic Transfer Act (**FIST**) was signed into law on 16 February 2021 and became effective on 17 February 2021, to ensure that banks and financial institutions are able to maintain their financial health to cushion the adverse economic impact of COVID-19. The FIST aims to reduce NPLs of banks. It provides certain incentives and privileges which will allow banks and financial institutions (**FI**) to easily dispose of their non-performing assets (**NPA**) to FIST Corporations (**FISTC**).

Under the FIST, the transfer of NPAs from the FI to a FISTC, and from a FISTC to a third party or dation in payment by the borrower or by the third party in favor of the FI or FISTC shall be exempt from the following taxes:

- DST on NPAs and dation in payment;
- Capital gains tax on transfer of lands and other assets treated as capital assets;
- Creditable withholding tax imposed on transfer of lands and other buildings treated as ordinary assets;
- VAT on transfer of NPAs or GRT, whichever is applicable.

FISTC may also avail of a fifty percent (50%) reduced rate on the following:

- Registration and transfer fees on transfer of real estate mortgage and security interest to and from the FISTC;
- Filing fees for any foreclosure proceeding; and
- Land registration fees.

These incentives and privileges shall be available for a period of two (2) years from the date of effectivity of the FIST. In addition, transfer of NPAs from a FISTC to a third party within such two (2)-year period, or within such extended period, or transfers by way of dation in payment by a borrower or by a third party to the FISTC shall enjoy the privileges for five (5) years from the date of acquisition by the FISTC, provided that properties acquired by a FISTC from GFIs or GOCCs which are devoted to socialised or low-cost housing shall not be converted to other uses.

Any loss of an FI as a result of the transfer of an NPA within the two (2)-year period shall be treated as an ordinary loss. Such loss may be carried over for five (5) consecutive taxable years.

On 23 June 2021, the BIR issued RR No. 11-2021 providing for the guidelines and procedures in availing the tax exemptions and privileges granted under the FIST.

Financial Products and Services Consumer Protection Act

RA No. 11765, otherwise known as the Financial Products and Services Consumer Protection Act (**FPSCPA**) was signed into law on 6 May 2022 to afford more protection to consumers of financial products and services by strengthening the powers of financial regulators, such as the BSP, which include market conduct surveillance and examination, market monitoring, adjudication, and enforcement. Such enforcement actions may include the following:

i. restriction on the ability of a financial service provider to continue to collect excessive or unreasonable interests, fees, or charges;
ii. disqualification and/or suspension of corporate officers of the supervised financial service provider responsible for violations of the FPSCPA, its implementing rules and regulations, or orders of the financial regulators;
iii. imposition of fines, suspension, or penalties for any noncompliance with or breach of the FPSCPA, its implementing rules and regulations, or orders of the financial regulators;
iv. issuance of a cease-and-desist order to the financial service provider without the necessity of a prior hearing, if in the financial regulator's judgment, the act or practice, unless restrained, amounts to fraud or a violation of the FPSCPA and its implementing rules and regulations, or may unjustly cause grave or irreparable injury or prejudice to financial consumers;
v. suspension of operations of any supervised financial service provider; and
vi. in addition to the imposed fine, entering an order requiring accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of the FPSCPA and other existing laws.

In addition to the foregoing, financial service providers, such as banks, are tasked to continuously evaluate their financial products or services to ensure that they are appropriately targeted to the needs, understanding and capacity of both their markets and their clients, which shall include, among others, the conduct of affordability and suitability assessments, the adoption of a clear cooling-off policy, and the provision of pre-payment of loans and other credit accommodations to its borrowers.

On 28 November 2022, the BSP issued Circular No. 1160 amending the MORB to include guidelines on Financial Consumer Protection Framework to implement the FPSCPA.

Electronic Banking Operations

The BSP has prescribed prudential guidelines in the conduct of electronic banking, which refers to systems that enable bank customers to avail themselves of a bank's products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

Under BSP Circular No. 542, dated 1 September 2006, the BSP released the new guidelines on the protection of electronic banking customers. These guidelines set specific requirements in the following areas: (a) oversight by a bank's board of directors, and other concerned officers over its electronic banking activities; (b) the development of a risk management policy and internal controls over its electronic banking activities; (c) the implementation of a consumer awareness program for the customers of banks; (d) development of policy on

disclosures and transparencies, and the availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorised transactions in electronic banking. Private domestic banks with a BSP-approved electronic banking facility may accept payment of fees and other charges of a similar nature for the account of the departments, bureaus, offices and agencies of the government as well as all government-owned and controlled corporations. The funds accepted shall be treated as deposit liabilities subject to existing regulations on government deposits and shall not exceed the minimum working balance of such government entities.

BSP Circular No. 808, dated 22 August 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure Europay, MasterCard and Visa (**EMV**) chip-enabled cards. In 2014, BSP Circular No. 859 set out the EMV Implementation Guidelines which shall govern the implementation for debit cards in any card-accepting devices/terminals. The deadline set for compliance with the migration to the EMV was initially set for 1 January 2017. However, pursuant to BSP Memorandum No. M-2017-019 issued on 9 June 2017, BSFIs are required to fully comply with the EMV requirement by 30 June 2018. Failure to do so is considered a serious offense and will subject these institutions to monetary sanctions provided under relevant provision of the MORB.

On 22 February 2019, the BSP issued BSP Circular No. 1033 introducing certain amendments to the regulations on electronic banking services and other EPFS. EPFS are products and services that enable customers to receive payments or initiate financial transactions and other related services through an electronic device. BSP Circular No. 1033 requires the prior approval of the BSP to offer EPFS and certain reportorial requirements must be submitted to the BSP.

On 26 November 2020, the Monetary Board approved the inclusion of digital banks as a distinct classification of banks. Digital banks offer financial products and services that are processed end-to-end through a digital platform and/or electronic channels without any physical branch or sub-branch or branch-lite unit offering financial products and services. On 2 December 2020, the BSP issued BSP Circular No. 1105 which provides the guidelines on establishment of digital banks. While digital banks have no physical branch or sub-branch or branch-lite unit, digital banks are required to maintain a principal or head office in the Philippines to serve as the main point of contact for stakeholders, including the BSP and other regulators. Pursuant to the accelerated digitalization in the financial industry, the BSP issued Memorandum No. M-2022-016 on 22 March 2022, which provides the controls and processes supporting the operation, connectivity, and endpoint security of Application Programming Interface (API) and the good practices for API management.

On 21 January 2022, the BSP issued BSP Circular No. 1135, providing for the Guidelines on the Settlement of Electronic Payments Under the National Retail Payment System (**NRPS**) Framework. This is in line with the BSP's goal to ensure the efficiency of payment systems in the country. In line with this, the BSP requires BSFIs participating in an Automated Clearing House (**ACH**) for electronic payments to ensure that the ACH provides certainty of settlements of the multilateral clearing obligations of the clearing participants.

On 7 February 2023, the BSP issued Circular No. 1166 which amended the regulations on electronic money and operations of e-money issuers (**EMIs**) in the Philippines. The Circular clarified that the e-money issued under closed-loop electronic wallet systems is not covered by the regulations and provides additional guidelines which shall govern the issuance and operations of e-money, including the regulations on minimum systems and controls required from EMIs, consumer protection regulations, minimum disclosure requirements, liquidity requirements and capital requirements, among others.

RPTs

BSP Circular No. 895, dated 14 December 2015, announced the approval of guidelines strengthening oversight and control standards for managing RPTs of banks and their non-bank financial subsidiaries and affiliates. The guidelines highlight that while transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher standards should be applied to protect the interests of all stakeholders. It is emphasised that RPTs are generally allowed for as long as these are done on an arm's length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under the guidelines, the Board, as an oversight body, shall have overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations. The Board is expected to approve an overarching policy on the handling of RPTs that should cover the scope of its RPT policy, guidelines in ensuring arm's length terms, management of conflicts of interest, materiality thresholds and limits, whistle blowing mechanisms, and restitution of losses and other remedies for irregular RPTs. Further, banks that are part of conglomerates are required to create a RPT committee responsible for the continuing identification and review of existing relations between and among businesses and counterparties, and for ensuring that RPTs are processed in the regular course of business, and are priced fairly. The guidelines now explicitly require that the annual reports adequately disclose relevant information on the governance of RPTs and specific details of exposures to related parties.

BSP Circular No. 969, dated 22 August 2017, further codified the BSP's thrust to strengthen oversight over RPTs by enhancing corporate governance guidelines which includes improvement of the duties and responsibilities of the RPT committee of BSFIs.

On 25 April 2019, the Philippine SEC issued Memorandum Circular No. 10, series of 2019 (Rules on Material RPTs for Publicly Listed Companies), mandating additional disclosure/ reportorial requirements for material RPTs amounting to 10% or higher of a publicly listed company's total assets. The circular requires all publicly listed companies to submit to the Philippine SEC a policy on MRPTs. Advisement Reports on MRPTs shall also be filed with the Philippine SEC in accordance with the circular within three calendar days after the execution of a covered transaction. Finally, a summary of MRPTs entered into by the company during the reporting year shall be disclosed in the company's Integrated Annual Corporate Governance Report (**I-ACGR**) submitted annually every May 30.

National Payment Systems Act

On 30 October 2018, Congress enacted Republic Act No. 11127, or "An Act Providing for the Regulation and Supervision of Payment Systems". R.A. No. 11127 seeks to regulate payment systems, recognizing that they are crucial parts of the financial infrastructure of the country. The law defines payment systems as the set of payment instructions, processes, procedures and participants that ensures the circulation of money or movement of funds. Meanwhile, the same law defines operators as persons who provide clearing or settlement services in a payment system, or define, prescribe, design, control or maintain the operational framework of the payment system.

Under R.A. No. 11127, all operators of payment systems must register with the BSP. Furthermore, the Philippine SEC can no longer register the charter documents of any operator of a designated payment system, or any amendment thereto, or otherwise issue to an operator a license to do business in the Philippines, unless accompanied by a certificate of authority from the Monetary Board under its seal. The law also grants the BSP the power to designate a new payment system if it determines that an existing payment system is posing or has the potential to pose a systemic risk or the designation is necessary to protect the public interest.

On 9 September 2019, the BSP issued BSP Circular No. 1049 which implements the provisions of R.A. No. 11127. It provides that banks which act as payment systems operators must register with the BSP through notification but do not have to separately file an application or pay registration fees. The BSP will then issue the registering bank a Provisional Certificate of Registration. Thereafter, the BSP will issue the bank a Certificate of Registration, if warranted, and provided the documents submitted by the bank meet all regulatory requirements. BSP Circular No. 1068 issued on 26 December 2019 extended the deadline for the registration of existing payment systems operations from 1 October 2019, as originally provided in Circular No. 1049, to 1 April 2020.

The BSP implemented the Payment System Oversight Framework (**PSOF**) on 7 July 2020 through the issuance of BSP Circular No. 1089, which addresses the need for comprehensive regulation over payment systems and other financial market infrastructures through cooperative oversight and periodic assessment. The PSOF follows a risk-based oversight approach mainly through the designation of payment systems. In the event that the operator of a DPS fails to satisfy regulatory expectations, resulting in a threat to the safety, efficiency, and reliability of the system, the PSOF empowers the BSP to appoint a manager to administer the operation of the DPS. On 14 September 2021, the BSP mandated the adoption of the Principles for Financial Market Infrastructures (**PFMI**) pursuant to the PSOF. The PFMI is a set of international standards designed to strengthen financial market infrastructures and make them more resilient to financial crises and participant defaults.

In line with the phased-in implementation of RA No. 11127, the BSP issued BSP Circular No. 1127 on the Governance Policy for Operators of Payment System on 17 September 2021, which is patterned after its other existing corporate governance standards. It prescribes the regulatory expectations on governance arrangements and standards of OPS as well as the criteria for qualification of its directors and officers.

On 1 March 2022, the BSP issued Circular No. 1138 which establishes the regulatory reporting standards for OPS. The circular requires an OPS to establish a reporting system that will aggregate all pertinent data and produce the reports required by the BSP under both business-as-usual and stressed conditions (i.e., emergency conditions for OPS such as a crisis, national or public health emergencies, weather-related events, or sudden closures of markets and/or clearing agencies the transactions therein are processed through an OPS for eventual settlement) in a timely manner. The circular specifies sanctions that may be imposed on an OPS for non-compliance with reporting requirements. It prescribes non-monetary penalties such as the disqualification or suspension of the Chief Executive Officer for at least one (1) month to one (1) year in case of unsubmitted reports. The top official and members of the board may be disqualified from the industry for further offenses and the Monetary Board will have the power to designate a manager to take over the operations.

The Anti-Financial Account Scamming Act

RA No. 12010, or the Anti-Financial Account Scamming Act (**AFASA**), was signed into law on 20 July 2024 to combat financial cybercrimes, safeguard the interests of financial consumers, and uphold the integrity of the financial system.

The AFASA authorizes the BSP to investigate violations of the law, apply for cybercrime warrants, and collaborate with law enforcement agencies in the investigation of cases covered by the law. It provides the BSP limited authority to examine and investigate bank accounts, e-wallets, and other financial accounts that are involved in the prohibited acts under the law, which includes engaging in money muling activities and social engineering schemes.

Under the AFASA, money muling activities are prohibited, which includes the following acts for the purpose of obtaining, receiving, depositing, transferring, or withdrawing proceeds that are known to be derived from crimes, offenses, or social engineering schemes: (i) using, borrowing or allowing the use of a financial account; (ii) opening a financial account under a fictitious name or using the identity or identification documents of another; (iii) buying or renting a financial account; (iv) selling or lending a financial account; or (v) recruiting, enlisting, contracting, hiring, utilizing or inducing any person to perform the acts mentioned in items (i) to (iv) above.

Meanwhile, social engineering schemes is committed by a person who obtains sensitive identifying information of another person, through deception or fraud, resulting in unauthorized access and control over the person's Financial Account, by performing any of the following acts: (i) misrepresenting oneself as acting on behalf of an Institution, or making false representations to solicit another person's sensitive identifying information; or (ii) using electronic communications to obtain another person's sensitive identifying information.

The aforementioned acts shall be considered as economic sabotage when committed under any of the following circumstances: (i) by a group of three (3) or more persons conspiring or confederating with one another; (ii) against three (3) or more persons individually or as a group; (iii) using a mass mailer; or (iv) through human trafficking.

Under the AFASA, financial institutions have the obligation to employ adequate risk and fraud management systems to ensure that their clients' financial accounts are protected and temporarily hold funds subject of a disputed transaction within a period prescribed by the BSP, which shall not exceed thirty (30) days, unless otherwise extended by a court of competent jurisdiction.

Taxation for Banks

Banks are subject to regular corporate income tax, based on their taxable income at a tax rate of 25%.

Taxable net income refers to items of income specified under Section 32 (A) of the Tax Code, less the items of allowable deductions under Section 34 of the Tax Code or those allowed under special laws.

Beginning 1 July 2020 and until 30 June 2023, an MCIT rate equivalent to 1% of the gross income of a bank is payable beginning on the fourth year of operations of the bank only if the MCIT is greater than the regular corporate income tax, provided that after 30 June 2023, the rate of MCIT shall be 2% of the gross income as of the end of the taxable year. Any excess MCIT paid over the regular corporate income tax can be carried forward as a tax credit for the three immediately succeeding years. For purposes of MCIT, the bank's gross income means: (a) gross receipts less sales returns, allowances, discounts and cost of services, including interest expense; and (b) income derived from other businesses except income exempt from income tax and income subject to final tax.

Net operating loss carry-over (**NOLCO**) can be claimed as deduction against taxable income within three years after NOLCO is incurred. NOLCO incurred for the taxable years 2020 and 2021 can be carried over as a deduction against taxable income for the next 5 consecutive taxable years pursuant to Section 4(bbbb) of the Bayanihan 2 Act and as implemented under RR No. 25-2020.

Since banks are in the regular business of lending, interest income derived by banks from lending activities which is generally considered passive income by non-banks, is considered ordinary income of banks subject to 25% corporate income tax. Banks may also claim interest expense as tax deduction if such expense complies with the requirements laid down in RR No. 13-00. The amount of interest expense which banks may claim as tax deduction shall be reduced by an amount equal to 33% of the banks' interest income that is subject to final tax.

The Tax Code does not allow banks to deduct interest expense or bad debts arising from transactions with the following:

- an individual who directly or indirectly owns more than 50% in value of the outstanding capital stock of the bank;
- a corporation, more than 50% in value of the outstanding capital stock of which is owned directly or indirectly, by or for the same individual in sub-paragraph (a), either as a personal holding company or a foreign personal holding company.

Pursuant to RR No. 05-99 (as amended by RR No. 25-02), in order for banks to claim bad debts as tax deductions, they must submit a written approval from the BSP stating that the indebtedness can be written off from the banks' books of accounts at the end of the taxable year, subject to the final determination by the BIR that bad debts being claimed by the banks are worthless and uncollectible. However, on 29 October 2014, the BSP issued Circular No. 855 which provides that notice of write-off of problem credits shall be submitted in the prescribed form to the BSP through the appropriate Central Point of Contact within thirty (30) business after every write-off with a sworn statement signed by the President of the financial institution or officer of equivalent rank that write-off did not include transactions with DOSRI and was undertaken in accordance with board-approved internal credit policy. Based on the said circular, a notice to the BSP would suffice, and that BSP approval with respect to a write-off of a bad debt not related to a DOSRI transaction, is no longer required.

The banks' passive income such as interest income earned from bank deposits is subject to final withholding tax.

Banks are subject to percentage tax or GRT, which is a tax levied on the gross receipts of banks and non-bank financial intermediaries. On 13 June 2016, the BIR issued Revenue Memorandum Circular No. 62-2016 (**RMC 62-2016**) seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income characterised as other fees and charges and should itself be subject to a 5% or 7% GRT depending on the provision of the Tax Code covering the type of income or activity.

ROPA of banks are considered as ordinary assets. The income derived from their sale is subject to the regular corporate income tax. Moreover, the transaction is subject to a 6% creditable withholding tax based on the highest among the zonal value, value in the tax declaration or selling price, which shall be withheld by the buyer and can be used as a credit against the bank's taxable income in the year that the gain is realised.

The Tax Code provides for a final tax at fixed rates for the amount of interest, yield or benefit derived from deposit substitutes which shall be withheld and remitted by the payor of the said interest, yield or benefit. This rule does not apply to gains derived from trading, retirement or redemption of the debt instrument which is subject to regular income tax rates, except those instruments with maturity of more than five years as these are exempt from income tax.

To be considered as a deposit substitute, the debt instrument must have been issued or endorsed to 20 or more individuals at any one time at the time of the original issuance in the primary market or at the issuance of each tranche in the case of instruments sold or issued in tranches.

IBCLs with a maturity period of not more than five days and used to cover deficiency in reserves against deposit liabilities are not considered deposit substitutes and are not subject to DST except if they have a maturity of more than seven days.

FCDU transactions with non-residents of the Philippines, offshore banking units (**OBUs**), FCDUs of local banks and branches of foreign banks (i.e., offshore income) are tax-exempt, while interest income from foreign currency loans granted by FCDUs of depositary banks to residents other than OBUs or other depository banks under the expanded system is subject to 10% final witholding tax. All other income of FCDUs is taxable at regular corporate income tax of 25%.

On 19 December 2017, the President of the Philippines signed into law the TRAIN Law which took effect on 1 January 2018. The TRAIN Law amends certain provisions of the Tax Code and is the first package of the CTRP of the Duterte administration. The relevant changes of the TRAIN Law are incorporated in the section titled "*Philippine Taxation*" of this Offering Circular.

On 14 February 2019, the President signed into law the Tax Amnesty Act of 2019 or Republic Act No. 11213 (**Tax Amnesty Law**), as amended by Republic Act No. 11569 and 11956, which was intended to complement the provisions of the TRAIN Law. However, following the President's veto of the provisions granting general tax amnesty for all unpaid national internal revenue taxes for taxable year 2017 and prior years, the current Tax Amnesty Law only grants estate tax amnesty for estates of decedents who died on or before 31 May 2022 and whose estate taxes have remained unpaid or have accrued as at 31 May 2022 and tax amnesty on delinquencies covering all national internal revenue taxes for taxable year 2017 and prior years.

Meanwhile, the second package of the tax reform package, formerly known as CITIRA, and now referred to as the CREATE bill, was passed by the Philippine House of Representatives on 13 September 2019 and was approved by the Ways and Means Committee of the Philippine Senate on 19 February 2020. On 24 February 2021, CREATE was transmitted to the Office of the President for his approval. On 9 March 2020, the bill was also certified as urgent by Philippine President Rodrigo Duterte.

On 26 March 2021, the President signed into law the CREATE Law, lowering the corporate income tax and rationalizing fiscal incentives granted to investors. Under the CREATE Law, the corporate income tax rate for domestic corporations considered as MSMEs under the CREATE Law, shall be taxed at 20%; the income tax rate for other domestic and resident foreign corporations was reduced to 25%; the income tax rate of nonresident foreign corporations was reduced to 25%; the MCIT rate was reduced to 1%, instead of 2%, until 30 June 2023; and the provisions for improperly accumulated earnings tax was repealed. For incentives, the total period of incentive alignment has been increased to 17 years, while other incentives will depend on the industries defined by the National Economic and Development Authority and ability to generate jobs. *See also "Investment Considerations – Risks Relating to the Bank's Business – Changes to regulations and guidelines issued by regulatory authorities in the Philippines, including the BSP, the Bureau of Internal Revenue (the **BIR**) and international bodies, including the Financial Action Task Force (the **FATF**) may have an adverse impact on the Bank."*

The other tax reform packages that the government hopes to implement include tax amnesty (estate, general), as well as "sin" (e.g., alcohol, gaming), property, passive income and financial intermediaries, and luxury taxes. The fourth package under the CTRP relating to passive income and financial intermediaries proposes to impose (i) a single final withholding tax rate of 15% on interest income regardless of currency, maturity, issuer and other differentiating factors, (ii) a single rate of 15% on interest income, dividends and capital gains, (iii) a single GRT of 5% on banks, quasi-banks, and certain non-bank financial intermediaries across all types of income (lending and non-lending), regardless of the maturity of the instrument, except dividends, equity shares and net income of subsidiaries, (which will remain exempt), (iv) uniform taxation of 2% of premium for pre-need, pension, life and HMO insurance, and (v) gradually reduce the stock transaction tax until it reaches zero by 2026 and removal of the transaction tax on listed and traded debt instruments by 2026, and (vi) exemption of non-monetary documents from DST.

On 22 January 2024, Republic Act No. 11976, otherwise known as the Ease of Paying Taxes Act (**EOPT**) took effect. The EOPT amended various provisions of the Tax Code relating to the filing and payment of taxes and other provisions intended to protect the taxpayer's rights, modernize tax administration, and adopt best practices.

On 8 November 2024, RA No. 12066 or the CREATE MORE was passed, amending the CREATE Act. The CREATE MORE establishes a simplified VAT refund system to reduce delays in tax processes. Moreover, the CREATE MORE streamlines processes for projects that are eligible for incentives, by raising the investment capital threshold for approval by investment promotion agencies. Finally, the CREATE MORE also extends the maximum duration of availment of tax incentives from 17 years to 27 years.

Certain tax preferential tax rates and exemptions available to banks and their transactions under existing laws may be affected by existing bills. Currently pending in the Philippine Senate is the Package 4 of the CTRP (**House Bill No. 4339** or **PIFITA**), a proposed tax reform measure which aims to: (1) removal of the preferential tax treatment of the expanded foreign currency deposit system; (2) adopt a single GRT of 5% imposed on banks, quasi-banks, and certain financial intermediaries; (3) harmonize business taxes on financial intermediaries; and (4) rationalize DST rates. In relation to debt instruments, HB No. 4339 seeks to introduce a uniform final withholding tax rate on interest income on deposit substitutes and interest income on long-term deposits or investments of 20% (as opposed to a range between 20% to 25%), unless a treaty rate applies. However, before HB No. 4339 can become a law, it must be considered and approved by the Senate before the Philippine congress adjourns on 13 June 2025 and signed into law by the President.

The CMEPA bill, which appears to have overtaken the earlier proposed PIFITA, proposes, among others, (i) the removal of the preferential tax treatment of the expanded foreign currency deposit system, (ii) the removal of tax exemption for long-term deposit or investment in the form of savings, common or individual trust funds, deposit substitutes, investment management accounts, and other investments, (iii) the reduction of the stock transaction tax, which applies to sale of shares through a local or foreign stock exchange, from six-tenths of one per cent (6/10 of 1%) to one-tenths of one per cent (1/10 of 1%) of the gross selling price or gross value in money of the shares of stock sold, exchanged, or otherwise disposed, (iv) the reduction of the DST on original issuance of shares from Php2.00 for every Php200.00 based on par value of shares issued, to seventy-five per cent (75%) of one per cent (1%) of the par value of such shares of stock or the actual consideration, if there is no par value, (v) the removal from exclusions from gross income of gains from the sale of bonds, debentures or other certificate of indebtedness with a maturity of more than five (5) years, and (vi) standardization of the final withholding tax rate on certain passive income to twenty per cent (20%), except for non-resident aliens not engaged in trade or business and non-resident foreign corporations, both of whom shall still be subject to a final withholding tax rate of twenty-five per cent (25%). While similar to the PIFITA, the CMEPA introduces other specific revisions to the Tax Code. As the enrolled bill has not been released, we are unable to confirm the final proposed amendments under the CMEPA.

Other Regulations

Set out below are other regulations applicable to banks operating in the Philippines:

- *Implementation of Basel III Framework on Liquidity Standards*. On 10 March 2016, the BSP issued BSP Circular No. 905 which provided guidelines for the implementation of Basel III framework on Liquidity Standards as it relates to LCR and Disclosure Standards. The Monetary Board approved the LCR framework with an observation period from 1 July 2016 until the end of 2017, during which banks are required to commence reporting their LCR to the BSP. Beginning on 1 January 2018, the LCR threshold that banks will be required to meet will be 90.0%, which was increased to 100.0% commencing on 1 January 2019. On 3 November 2017, the BSP issued BSP Circular No. 981 which amended the guidelines on liquidity risk management. The banks have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that banks complete a gap analysis of the requirements in BSP Circular No. 981 vis-à-vis their existing risk management systems by 31 March 2018, the result of such gap analysis shall be documented and made available for review of the BSP. On 8 February 2018, the BSP issued BSP Circular No. 996 which amended the LCR framework and extended its coverage to subsidiaries of universal and commercial banks and quasi banks on both solo (head office and branches/other offices) and consolidated (parent bank and subsidiary financial allied undertakings) bases.

On 15 March 2019, BSP issued Circular No. 1035 to introduce certain amendments to the Basel III LCR Framework and Minimum Liquidity Ratio Framework. Circular No. 1035: (i) extended the observation period of the minimum Basel III LCR requirement to 31 December 2019 for subsidiary banks and quasi-banks of universal and commercial banks, (ii) adopted the 70% LCR floor for subsidiary banks and quasi-banks during the observation period, and (iii) amended the formula for minimum liquidity ratio. The LCR threshold is now at 100%, following the full implementation of the provisions of Circulars 1035. On 13 February 2020, the BSP issued Memorandum No. M-2020-003, and entitled Guidelines on the Electronic Submission of the BASEL III NSFR Report and LCR Report. It states that all subsidiary banks and quasi-banks must observe the guidelines for purposes of the NSFR and LCR reports beginning reporting period ended 31 January 2020, in line with BSP Circular Nos. 1035 and 1034.

- *Implementation of Basel III Framework for Dealing with D-SIBs*. On 29 October 2014, the BSP issued BSP Circular No. 856 which provided the guidelines for implementing the Framework for dealing with D-SIBs under Basel III. Banks deemed as D-SIBs by the BSP will be imposed with capital surcharge to enhance their loss absorbency and thus mitigate any adverse side effects both to the banking system and to the economy should any of the D-SIBs fail. To determine the banks' systemic importance, the BSP will assess and assign weights using the indicator-based measurement approach based on the following: size, interconnectedness, substitutability, and complexity. Depending on how they score against these indicators and the buckets to which the scores correspond, the D-SIBs will have varying levels of additional loss absorbency requirements ranging from 1% to 2.5%. Aside from the added capital pressure, D SIBs may be put at an undue disadvantage compared to G-SIBs given that this framework was patterned for regional/global banks and which may not thus be appropriate for local banks. The phased-in compliance started on 1 January 2017 and will become fully effective on 1 January 2019. On 12 February 2016, the Monetary Board approved the guidelines on the submission of a recovery plan by D-SIBs which shall form part of the D-SIBs' ICAAP submitted to the BSP every 31 March of each year. This was amended by Circular No. 1113, Series of 2021, which now require that the recovery plan be separate and distinct from the ICAAP document. D-SIBs must submit a separate recovery plan every 30th of June of each year, starting 30 June 2022. The submission of the ICAAP document remains to be every 31st of March of each year. The recovery plan identifies the course of action that a D-SIB should undertake to restore its viability in cases of significant deterioration of its financial condition in different scenarios. At the latest, the recovery plan shall be activated when the DSIB breaches the total required CET1 capital, the HLA capital requirement and/or the minimum liquidity ratios as may be prescribed by the BSP. As a pre-emptive measure, the recovery plan should use early warning indicators with specific levels (i.e., quantitative indicators supplemented by qualitative indicators) that will activate the recovery plan even before the above-said breaches happen. This preparatory mechanism, including the operational procedures, monitoring, escalation and approval process should be clearly defined in the recovery plan. The ICAAP document, which includes the first recovery plan, was submitted on 30 June 2016 and will be re-submitted on the 31st of March of each year. On 17 June 2022, the BSP issued Circular No. 1148 on the Amendment to the Framework for D-SIBs which provides that the list of D-SIBs shall now be assessed/determined annually based on latest available data submitted by each bank and shall be subject to approval of the Monetary Board, with the results to be released annually. Banks identified as D-SIBs shall be informed individually, including the bucket they belong to and the individual score for each indicator.

- *Regulations Governing the Derivatives Activities of Banks*. In line with the policy of the BSP to support the development of the Philippine financial market by providing banks and their clients with expanded opportunities for financial risk management and investment diversification through the prudent use of derivatives, BSP Circular No. 594 was issued by the BSP in January 2008 amending the existing regulations governing the derivatives activities of banks and trust entities. Furthermore, BSP Circular No. 688 issued by the BSP in May 2010 prescribes guidelines on the determination of the credit risk weighted assets for banks that will engage in derivatives activities as end-users for hedging purposes and/or under limited-use authority. The BSP also issued BSP Circular No. 891 on 9 November 2015 amending the sales and marketing guidelines for derivatives under the MORB. Banks must ensure that the financial products (e.g., debt and equity securities, hybrid securities, derivatives, securitisation structures and similar products with substantial investment characteristics) it recommends to a client are appropriate for that client through a client suitability process which involves obtaining client information, classifying a client according to financial sophistication and risk tolerance, and conducting a suitability review. Any informational or promotional presentation must be undertaken only by personnel who are

knowledgeable on the products involved and are qualified based on qualification standards established by the bank. Any disclosures regarding its products and services must meet the bank's standards to ensure that its clients understand the nature of the financial transaction. The BSP may bring about timely corrective actions and impose sanctions on the bank and responsible persons, which may include warning, reprimand, suspension, removal, and disqualification of concerned directors, officers, and employees. In February 2017, BSP issued Memorandum No. M-2017-004 advising all banks and quasi-banks that cross-border derivative transactions involving non-centrally cleared derivatives shall be subject to margin requirements pursuant to the policy framework adopted by the BCBS and the International Organisation of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in time of stress. Variation margin requirements were phased in from 1 September 2016 to 1 March 2017 while initial margin requirements are being phased in from 1 September 2016 to 1 September 2020. As an initial step, banks and quasi-banks should make a determination of the transactions that will be subject to margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the margin requirements implemented in other jurisdictions and assess whether they will be able to comply with the pertinent legal and operational arrangements.

- *Amendments to UITF Regulations*. In September 2004, the BSP issued BSP Circular No. 447 (as amended by BSP Circular No. 675 (2009), BSP Circular No. 676 (2009), Memorandum No. M-2010-033 (2010), BSP Circular No. 767 (2012), BSP Circular No. 852 (2014), BSP Circular No. 876 (2015) and BSP Circular No. 907 (2016)) which provided guidelines for the launching and offering of new products to be known as UITFs, and was intended to completely phase out common trust funds or convert them into UITFs within two years from the date of the circular. UITFs are open-ended pooled trust funds denominated in any acceptable currency that are to be operated and administered by trust entities. Eligible assets of UITFs include bank deposits, securities issued by or guaranteed by the Government or the BSP, tradable securities issued by the government of a foreign country, exchange listed securities, marketable instruments that are traded in an organised exchange, loans traded in an organised market, loans arising from repo agreements which are transacted through an exchange recognised by the Philippine SEC and such other tradable investments outlets/ categories as the BSP may allow. These assets are subject to mark-to-market valuation on a daily basis. The stated objective of the BSP is to align the operation of pooled funds with international best practices and enhance the credibility of pooled funds to investors. In January 2008, the BSP issued BSP Circular No. 593 to improve risk disclosure on investing in UITFs, by requiring banks to conduct a client suitability assessment to profile the risk-return orientation and suitability of the client to the specific type of UITF that he wants to participate in, and to update the client's profile at least every three years. In December 2009, the BSP issued BSP Circular No. 676 allowing cross-currency investment for Peso trust, other fiduciary and investment management accounts, including Peso UITFs. In September 2012, the BSP issued BSP Circular No. 767 to include investments by UITFs in units/shares in collective investment schemes as an allowable investment and recognizing UITF structures such as feeder funds and fund-of-funds. On 21 October 2014, the BSP issued BSP Circular No. 852, amending the UITF Regulations. Through this circular, the BSP strengthened the disclosure requirements for UITFs by prescribing the use of the Key Information and Investment Disclosure Statement (KIIDS) and online posting of UITF information via a website. On 10 March 2016, the BSP issued BSP Circular No. 907 to amend certain exposure limits, and allowable investment and valuation on UITFs invested in feeder fund and fund-of-funds. UITF investments shall only be limited to bank deposits and collective investment schemes (e.g., target fund, exchange-traded funds), subject to such target fund not being structured or similarly structured as a feeder fund or a fund-of-funds. On 14 March 2018, BSP issued BSP Circular No. 999 which further amended the allowable investment and valuation of UITFs invested in feeder fund or fund-of-funds. Under the circular, offshore/global funds which use financial derivatives for efficient portfolio management (EPM) may be allowed as target fund, provided that financial derivatives are not extensively or primarily used as an investment strategy of the target fund and that the risk level of the target fund remain consistent with the objective and risk profile of the investor fund. Alternatively, the target fund shall comply with the relevant regulatory requirements of its home jurisdiction as regards the use of financial derivatives for EPM. On 5 September 2022, the BSP issued BSP Circular No. 1152, further amending the UITF Regulations. Under said circular, the BSP provided the requirements and procedure for the creation of a UITF which may require either prior approval from, or notification with, the BSP, as well as the procedure for any subsequent amendment of key features of a fund. Further, the BSP also amended, among others, the

operating and accounting methodology of a UITF, the manner by which the fund is operated, depending on the fund classification, and the minimum disclosure requirements to be contained in the KIIDS, the Participating Trust Agreement, and other marketing materials pertaining to a UITF. On 9 August 2023, the BSP issued Circular No. 1178, providing for the guidelines on the selection of benchmarks for UITFs and expanding the information required to be disclosed in the KIIDS.

- *Limit on Real Estate Loans of Universal Banks*. In February 2008, the BSP issued BSP Circular No. 600 removing interbank loans from the total loan base to be used in computing the aggregate limit on real estate loans, and amending the inclusions and exclusions to be observed in the computation. On 10 October 2017, the BSP issued BSP Circular No. 976 which approved amendments to the expanded report on the REE of banks, and required the submission of a report on project finance exposures to enable the BSP to gather more granular information regarding these exposures. It also clarified the definition of loans to finance infrastructure projects for public use that are currently exempt from the 20.0% limit on real estate loans. On 20 August 2020, the BSP issued Circular No. 1093, expanding the real estate loan limit for UKBs from 20% to 25%.

- *Exemption of Paired ROP Warrants from Capital Charge for Market Risk*. In connection with the Government's Paired Warrants Program, the BSP issued BSP Circular No. 605 in March 2008 exempting warrants paired with ROP Global Bonds from capital charge for market risk to the extent of a bank's holdings of bonds paired with warrants equivalent to not more than 50.0% of total qualifying capital.

- *Guidelines on Securities Borrowing and Lending Transactions*. Guidelines by the PSE on SBL govern SBL transactions between local/foreign borrowers and local/foreign lenders. BSP Circular No. 611, Series of 2008, provides guidelines on SBL transactions in the PSE involving borrowings by foreign entities of PSE-listed shares from local investors/lenders. In May 2008, the BSP Monetary Board authorised the issuance of BSP Registration Documents to cover the PSE-listed shares of stock borrowed by foreign entities from local investors and lenders. This will allow foreign borrowers to purchase foreign exchange from the banking system for remittance abroad using the Peso sales proceeds of the borrowed shares including the related income from the SBL transaction, such as rebates or shares in the income earned on the reinvestment of the cash collateral, interest and dividends earned on the Peso denominated government securities and PSE-listed shares used as collateral. On 10 February 2020, the Philippine SEC approved the Implementing Guidelines on Securities Borrowing and Lending and Short Selling that had been proposed by the Capital Markets Integrity Corporation (**CMIC**).

- *Reclassification of Financial Assets between Categories.* The BSP issued BSP Circular No. 628 dated 31 October 2008, amending BSP Circular No. 626 dated 23 October 2008 and the Resolution of the Monetary Board No. 1423 dated 30 October 2008, which approved the guidelines governing the reclassification of financial assets between categories. Financial Institutions shall be allowed to reclassify all or a portion of their financial assets from "held for trading" or "available for sale" categories to the "available for sale" or "held to maturity" or "unquoted debt securities classified as loans" categories effective 1 July 2008. Any reclassification made in periods beginning on or after 15 November 2008 shall take effect from the date when the reclassification is made.

- *Taxes*. All banks are subject to certain tax rules specific to financial institutions. In November 2005, the Government increased the GRT, which is applied to a bank's non-interest income, from 5.0% to 7.0%. On 31 June 2016, the BIR issued RMC 62-2016, seeking to clarify the tax treatment of GRT, which is passed on by banks through contractual stipulations to their clients. RMC 62-2016 provides that if under a contract the GRT is passed on to the client, such passed-on GRT should be treated as gross income and should itself be subject to a GRT of either 5.0% or 7.0%, depending on the provision of the Tax Code covering the type of income or activity. The Tax Code was amended by Republic Act No. 10963, or the TRAIN. Among the amendments to the Tax Code included increasing the rate of documentary DST on debt instruments. All such affected instruments will generally be subject to DST at the rate of one peso and fifty centavos (₱1.50) on each two hundred pesos (₱200.00), or fractional part thereof, of the issue value of such instruments.

- *Rules and Regulations on the Mandatory Allocation for Agriculture and Agrarian Reform Credit*. In July 2011, the BSP issued BSP Circular No. 736 as a component of the Implementing Rules and Regulations

of the Republic Act No. 10000 or the Agri-Agra Reform Credit Act. Aside from retaining the mandatory credit allocation, it also rationalises the modes of compliance. In addition to direct compliance through loans to qualified borrowers, a list of alternative compliance mechanisms is also provided. On 20 July 2018 and 3 March 2021, the BSP issued BSP Circular Nos. 1009 and 1111 further amending the Rules and Regulations on the Mandatory Credit Allocation for Agriculture and Agrarian Reform Credit. On 28 July 2022, Republic Act No. 11901 or the AFRD lapsed into law, formally repealing Republic Act No. 10000. Republic Act No. 11901 provides that all banking institutions, whether government or private, except newly established banks shall set aside a credit quota, or a minimum mandatory agricultural and fisheries financing requirement of at least 25% of their total loanable funds for a period of five (5) years from the date of commencement of the banks' operations. The law gives more flexibility to the banks in extending credit to the agriculture and fisheries sectors as it removed the required allocation of credit to agrarian reform beneficiaries (i.e., 10% of banks' total loanable funds) under Republic Act No. 10000. Republic Act No. 11901 also provides that banks may comply with the mandatory credit requirement by lending to rural community beneficiaries, or may invest in debt securities, and fixed term deposit products and equity securities of rural financial institutions, undertake agricultural value chain financing, and grant agri-business loans to fund agricultural and community-enhancing activities, among others. On 9 June 2023, the BSP issued Circular No. 1174 amending the regulations and prudential reports on the Mandatory Allocation for Agriculture and Agrarian Reform Credit. The Circular provided for amendments to the computation of total loanable funds and the Financial Reporting Package (FRP).

- *Valuations of Government Securities Held by Banks*. In October 2013, the BSP amended the rules on valuations of government securities held by banks to reflect actual market rates, with the guideline applying to both benchmark and non-benchmark securities. Under BSP Circular No. 813, the weighted average of done or executed deals shall be used as the basis for valuation. In the absence of weighted average done deals for benchmark bonds, the simple average bids shall be used. In the absence of both weighted done deals and simple average bids for non-benchmark securities, interpolated yields derived from reference rates in accordance with BSP-approved guidelines shall be used.

- *Segregation of Customer Funds and Securities Received by Banks*. On 14 August 2015, the BSP issued BSP Circular No. 885 requiring the segregation of customer funds and securities received by banks in the performance of their securities brokering functions. Banks are required to institute adequate risk management systems and controls to ensure protection of customer funds and securities, proper segregation of functions, and prevention of conflict of interest situations that may arise in the conduct of securities brokering activities within the bank. Banks must also make and keep current books and records relating to customer funds and securities and submit monthly reportorial requirements.

- *Creation of Personal Management Trust*. On 18 August 2016, the BSP issued BSP Circular No. 920 allowing for the creation of the personal management trust (PMT), which is a living trust arrangement that seeks to meet the estate planning and asset management needs of individuals. The trustor may or may not nominate a third-party beneficiary. It is supposed to serve as a more flexible tool in the management of an individual's financial affairs. Upon the effectivity of the circular, all living trust accounts were discontinued and all those that remained valid were automatically considered as PMT.

- *Clearing of Checks via Electronic Presentment*. On 7 September 2016, the BSP issued BSP Circular No. 924, amending the MORB in view of the clearing of checks via electronic presentment, which shall be implemented by the Philippine Clearing House Corporation (PCHC). On 20 January 2017, the BSP began the electronic clearing of checks. Under this new system, only digital images of the checks and their electronic payment information shall be required to be transmitted to the paying bank. The clearing time was reduced to just one banking day, as against three banking days previously, since no physical delivery of checks will be needed.

- *Effective Reporting System Generation and Timely Submission of Reports*. On 26 June 2017, the BSP amended the MORB through BSP Circular No. 963, Series of 2017, which issuance instituted governance processes in accordance with the BSP's expectation that banks establish an effective reporting system generation and timely submission of reports. Said reports must comply with the standards prescribed by the BSP, and the banks that fail to do so (i.e., files an erroneous report, delayed report, or did not submit at all) are meted with certain sanctions that can be aggravated by habitual violations. It further provided that banks had until 31 December 2017 to make the necessary

preparations to their systems and processes in order to comply with the new provision. Its full implementation started on 1 January 2018.

- *Additional Requirements for the Issuance of Bonds and Commercial Papers.* On 9 August 2018, the BSP issued additional requirements for the issuance by banks of bonds and commercial papers. Circular No. 1010 provides that a bank may issue bonds and/or commercial papers without prior BSP approval, provided that the following conditions are met:
  (1) The bank must have a CAMELS composite rating of at least "3" and a "Management" rating of not lower than "3";
  (2) The bank has no major supervisory concerns in governance, risk management systems, and internal controls and compliance system;
  (3) The bank/QB has complied with directives and/or is not subject of specific directives and/or enforcement actions by the BSP; and
  (4) The bonds issued are enrolled and/or traded in a market which is organised in accordance with the Philippine SEC's rules and regulations.

Further, the issuing bank, including its subsidiaries, affiliates, and the wholly or majority-owned or-controlled entities of such subsidiaries and affiliates, except for its trust departments or related trust entities, is prohibited from holding or acting as a market maker of the bank's listed/traded bonds or commercial papers. Likewise, the registry bank, including the underwriter/arranger of the issuance, shall be a third party with no subsidiary/affiliate relationship with the issuing bank and which is not related to the issuing bank in any manner that would undermine its independence.

- *Guidelines on the Adoption of PFRS 9.* On 14 August 2018, the BSP issued Circular No. 1011 which provides guidelines on the adoption of PFRS 9. The Circular provides that where there are differences between the BSP regulation and PFRS 9, as when more than one option is allowed, or certain limits are prescribed, then the option or limit prescribed by the BSP should be adopted. The circular further provides that with respect to the preparation of prudential reports, banks should adopt in all respect the PFRS, except in the following cases:

  - in preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries shall be consolidated with the financial statements of the parent bank on a line by-line basis, while insurance and non-financial allied subsidiaries shall be accounted for using the equity method. Investments in financial/non-financial allied/non-allied associates and joint ventures shall be accounted for using the equity method in accordance with the provisions of PAS 28;
  - in preparing solo/separate financial statements, investments in financial/nonfinancial allied/non-allied subsidiaries/associates, including insurance subsidiaries/associates, shall be accounted for using the equity method as described in PAS 28; and
  - banks shall recognise adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the MORB.

- *Marking to market of financial instruments*. BSP Circular No. 1021 dated 15 November 2018 provides that financial instruments that are required to be classified and measured at fair value, within the scope of PFRS 9 shall be marked-to-market in accordance with the provisions of PFRS 13 on Fair Value Measurement and the related rules and regulations issued by the SEC.

- *Adoption of National Retail Payment System (NRPS) Framework*. On 6 November 2017, in line with BSP's adoption of the NRPS framework consistent with its regulations on risk management, the BSP issued Circular No. 980, which requires BSFIs to ensure that the retail payment systems they participate in demonstrate sound risk management and effective and efficient interoperability. The NRPS framework covers all retail payment-related activities, mechanisms, institutions and users. Under this framework, sound governance shall be performed by a payment system management body (PSMB), which is duly recognised and overseen by BSP. In the absence of a PSMB, the functions of providing sound governance to the retail payment system participated in by BSFIs shall be discharged by BSP.

- *Guidelines on Liquidity Risk Management*. On 3 November 2017, the BSP issued Circular No. 981, amending the guidelines on liquidity risk management and the related amendments to the MORB. Among the highlights of the said changes were the additional guidelines relative to Foreign Currency Management, Intraday Liquidity Management, Intragroup Liquidity Management, Collateral Management, Liquidity Stress Testing, Contingency Funding Plans, Factors to Consider in Developing a Funding Strategy, and Factors to Consider in Developing Cash Flow Projections. Banks shall have until 1 September 2018 to develop or make appropriate changes to their policies and procedures, provided that they complete a gap analysis of the requirements of the said BSP Circular vis-a-vis their existing risk management systems by 31 March 2018.

- *Enhanced Guidelines in Information Security Management*. On 9 November 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management of BSFIs in view of the rapidly evolving technology and cyber-threat landscape in which they operate. The amendments highlight the role of the BSFIs' board and senior management in spearheading sound information security governance and strong security culture within their respective networks. Likewise, BSFIs are mandated to manage information security risks and exposures within acceptable levels through a dynamic interplay of people, policies, processes, and technologies following a continuing cycle (i.e. identify, prevent, detect, respond, recover and test phases). The new guidelines also recognise that BSFIs are at varying levels of cyber-maturity and cyber-risk exposures which may render certain requirements restrictive and costly vis-à-vis expected benefits. Thus, the IT profile classification has been expanded from two to three, namely: "Complex," "Moderate" and "Simple" to provide greater flexibility in complying with the requirements.

- *Guidelines on the Conduct of Stress Testing Exercises*. On 4 January 2018, BSP issued Circular No. 989, which defined minimum prudential requirements on stress testing and supplement the relevant provisions on stress testing provided under the risk management guidelines that were earlier issued by BSP. It provides that a board of directors should consider the results of stress testing exercises in capital and liquidity planning, in setting risk appetite, and in planning for business continuity management, and, in the case of DSIBs, in developing recovery plans. These expectations are consistent with the earlier issued guidelines on corporate governance under Circular No. 969.

- *Basic Deposit Accounts.* BSP Circular No. 992, issued on 1 February 2018, requires banks to establish a basic deposit account which refers to interest or non-interest-bearing account designed to promote financial inclusion. The basic deposit account shall have an opening amount of not more than ₱100.00 and no minimum maintaining balance but with a maximum balance of not more than ₱50,000.00. If the depositor exceeds the ₱50,000.00 maximum balance, the bank shall convert the basic deposit account to a regular deposit account. The basic deposit account shall have no dormancy charges and has no reserve requirement. On 1 March 2018, the BSP issued Circular No. 998, clarifying the guidelines on the basic security deposit requirements. The circular provides that, as security for the faithful performance of its trust and other fiduciary duties, the basic security deposit shall be at least one percent (1%) of the book value of the total trust, other fiduciary and investment management assets, and at no time shall be less than ₱500,000.00; further, as security for the faithful performance of its investment management activities, the basic security deposit shall be at least one percent of the book value of the total investment management assets, and at no time less than ₱500,000.00. The Circular also prescribes the methodology in determining compliance with the basic security deposit for the faithful performance of trust and other fiduciary business and investment management activities, and amends the compliance period to require banks, that are authorised to engage in trust and other fiduciary business and investment management activities, to comply with the basic security deposit requirement on a quarterly basis, as well as, at the time of withdrawal, replacement or redemption of the government securities deposited with the BSP within the quarter period. On 15 February 2019, the BSP issued Circular No. 1032 amending the guidelines on the basic security deposit requirement. The circular provided that the trustee or fiduciary/investment manager shall ensure compliance with the required basic security deposit. Any deficiency must be corrected through the immediate posting of additional securities. Trustees or fiduciary/investment managers shall submit quarterly reports on compliance with the basic security deposit requirement and report on the basic security deposit transactions.

- *Electronic Banking Services and Other Electronic Operations.* On 22 February 2019, the BSP issued BSP Circular No. 1033, which classifies EPFS into basic and advanced and establishes guidelines for

the licensing of EPFS. Further, BSFIs that are licensed to offer funds transfer services shall make these interoperable by participating in automated clearing houses.

- *Reserves against trust and other fiduciary accounts (TOFA)*. BSP Circular No. 1025 dated 13 December 2018 provides that in addition to the basic security deposit, banks authorised to engage in trust and other fiduciary business shall maintain reserves on TOFA-others, except accounts held under (1) administratorship; (2) trust under indenture; (3) custodianship and safekeeping; (4) depository and reorganisation; (5) employee benefit plans under trust; (6) escrow; (7) personal trust (testamentary trust); (8) executorship; (9) guardianship; (10) life insurance trust; (11) pre-need plans (institutional/individual); (12) PERA; (13) legislated and quasi-judicial trust; and (l4) specialised institutional accounts under trust.

- *Currency Rate Risk Protection program (CRPP Facility) and the Implementing Guidelines*. On 24 September 2018, and 5 October 2018, the BSP issued Circular No. 1014 and 1015, respectively, revising the guidelines on the CRPP Facility. The CRPP Facility is a non-deliverable USD/PHP forward contract between BSP and a universal/commercial bank in response to the request of bank clients desiring to hedge their eligible foreign currency obligations. Transactions under the CRPP facility are considered part of banks' Generally Authorised Derivatives Activities. Under the CRPP Facility, only the net difference between the contracted forward rate and the prevailing spot rate shall be settled in pesos at maturity of the contract. Should the eligible obligation be denominated in a foreign currency other than the USD, the CRPP contract shall be denominated in USD equivalent using the exchange rate indicated in the BSP Reference Exchange Rate Bulletin on deal date. The BSP shall have supervisory enforcement actions or right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines. Any violation of the guidelines, including wilful delay in the submission, non-submission and/or wilful making of a false or misleading statement in the notarised certification required to be submitted therein to the BSP Sections shall constitute grounds for the imposition on the bank of penalties.

- *Adoption of Policy Framework on the Grant of Regulatory Relief to Banks/QBs Affected by Calamities*. On 10 October 2018, the BSP issued Circular No. 1017, which provides the policy framework on the grant of regulatory relief measures to banks/QBs affected by calamities. Under the framework, banks/QBs may avail of the regulatory relief packages, including the provision of financial assistance to officers who are affected by the calamity even in the absence of BSP approved purposes, for a period of one (1) year from the date of declaration of state of calamity.

- *Technology and Cyber-Risk Reporting and Notification Requirements*. On 31 October 2018, the BSP issued Circular No. 1019, which amended provisions relating to the technology and cyber-risk reporting and notification requirements for BSFIs. The amendments were made to enable the BSP to have ready access to accurate, timely, and actionable information regarding BSFI's technology risk profiles as well as the evolving cyber-threat environment for a more responsive, proactive and effective banking supervision.

- *Amendments to the FX Manual.* On 5 February 2019, the BSP issued Circular No. 1030, which amended provisions of the Manual of Regulations on Foreign Exchange Transactions in furtherance of the BSP's aim of liberalizing the regulations applicable to (among others) inward investments. The issuance expanded the scope of the categories of inward foreign investments such that the presence of control and significant degree of influence between the investor and the investee firm is considered for certain types of investments to be categorised as direct investment or portfolio investment. It also established a grace period to register existing investments that are unregistered as at the effectivity date of the issuance. On 21 August 2021, the BSP issued Circular No. 1124 further amending the FX Manual. Banks are now allowed to sell foreign currency without prior approval from the BSP provided these are used for certain types of activities.

- *Revised Framework on the Selection of External Auditors.* On 20 May 2019, the BSP issued Circular No. 1040, which revised the framework on selection of external auditors for BSFIs in accordance with the cooperative arrangement among the BSP, the Philippine SEC, IC and the PDIC.

- *Rules and Regulations on the Registration of OPS.* On 9 September 2019, Circular No. 1049 was issued approving the rules and regulation on the registration of operators of payment systems to implement

Republic Act No. 11127 or the National Payment Systems Act. These rules and regulations form part of the newly created Manual of Regulations for Payment Systems.

- *Guidelines on Voluntary Surrender of a Banking License.* On 18 September 2019, Circular No. 1050 issued the guidelines on voluntary surrender of banking license in case of voluntary dissolution and liquidation, or to convert into a non-bank entity.

- *Amendments to the Prudential Requirements and Guidelines on the Public Offering and Listing of Bank Shares for Universal Banks*. On 15 November 2019, Circular No. 1060 was issued amending the prudential requirements on the public offering and listing of bank shares for universal banks. The amendments are aimed at supplementing the enhanced corporate governance frameworks of the BSP by encouraging dispersed shareholdings on banks.

- *Amendment of the Requirements on the Issuance of LTNCDs, Bonds and Commercial Papers*. On 26 November 2019, Circular 1062 was issued amending the provisions of the MORB to relax certain requirements on the issuance of LTNCDs, Bonds and Commercial Papers. Of note is the amendment expanding the entities that are now prohibited from holding the LTNCDs, Bonds and Commercial Papers. Under the amendments, universal banks or commercial bank that is a related party of the issuing bank, may serve as the underwriter or arranger of the issuance, subject to the following conditions:

  (a) That there are other third party underwriters or arrangers that are not related in any manner to the issuing bank;
  (b) That the objective conduct of the due diligence review is not undermined; and (c) That the appropriate safeguards and controls as provided under Section 136 of the MORB on RPTs shall be instituted to prevent conflict of interest on the said arrangement.

Further, the underwriter or arranger that is a related party of the issuing bank may be a holder of the bonds or commercial papers, provided that it is part of the underwriting agreement.

- *Moratorium on the Issuance of LTNCDs*. On 15 November 2019, BSP Circular No. 1059 amended the Manual imposing an indefinite moratorium on the issuance of LTNCDs beginning 1 January 2021. LTNCDs that have been approved but remain unissued as of 31 December 2020 may still be issued, provided that this is done within the period allowed by the BSP. Requests for authority to issue LTNCDs will only be accepted by the appropriate supervising department of the BSP until 30 September 2020.

- *Report on Intraday Liquidity of Universal and Commercial Banks and their Subsidiary Banks/QBs.* On 3 December 2019, Circular No. 1064 was issued amending the MORB to implement and adopt the report on intraday liquidity for universal banks and their subsidiary thrift banks/quasi-banks. The report is aimed at appropriately monitoring the intraday liquidity position of BSP supervised financial institutions, their sources of intraday liquidity, and their ability to meet payment and settlement obligations on a timely basis under both normal and stressed conditions. The reporting requirements are also intended to facilitate the sound management of intraday liquidity risk as well as provide sufficient understanding and allocation of resources to effectively manage the same.

- *Amendments to Regulations on Financial Audit of Banks.* On 7 February 2020, Circular No. 1074 was issued amending regulations on the financial audit of BSP supervised financial institutions which aim to enhance the quality of information channelled to the supervisory process and ultimately promote fairness, transparency and accuracy in financial reporting. Amendments pertain to changes in prescribed formats of statements in the financial statements, changes in deadline of report submissions to the BSP, new and amended disclosure requirements to the financial statements, among others.

- *Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/ Officers.* On 18 February 2020, Circular No. 1076 was issued to strengthen the disqualification and watchlisting of directors and officers of banks and other financial institutions. The amendments aim to further promote the integrity of the financial system and better protect the interest of the public. The Circular also provides a list of those prohibited to become officers of a bank, including any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial

assistance provided by the government or government-owned or controlled corporations, or in cases allowed under existing laws.

- *Correspondent Banking Relationships.* On 9 March 2020, the BSP issued Circular No. 1078, which provides the guidelines on correspondent banking relationships. Correspondent banking refers to the provision of banking services by one bank (the correspondent bank) to another bank (the respondent bank) whose relationship can be domestic or foreign. Under the said guidelines, banks shall perform the applicable customer due diligence on accounts and relationships opened. For existing relationships, the requirements shall be applied upon updating as part of the ongoing monitoring. In addition, by virtue of the arrangements in correspondent banking services wherein the respondent bank is the customer of the correspondent bank, the rules on outsourcing under the MORB shall not apply to correspondent banking relationships.

- *Payment System Oversight Framework.* The Monetary Board, in its Resolution No. 803 dated 25 June 2020, has accredited the Philippine Payments Management, Inc. as payment system management body in accordance with National Payment Systems Act. On 7 July 2020, the BSP issued Circular No. 1089 which provides the payment system oversight framework. Pursuant to the authority granted under the National Payment Systems Act, and Republic Act No. 7653 or the New Central Bank Act, as amended by Republic Act No. 11211, the BSP, through an appropriate oversight department, is responsible for overseeing the national payment system, including the payment system that the BSP owns and operates. Consistent with a risk-based approach that take into consideration both the payment system's risk profile and its impact in the national payment system, the BSP shall perform the following oversight activities: (i) monitor existing and planned payment systems, (ii) asses the national payment system and payment systems against safety, efficiency, and reliability objectives, and (iii) induce change to pursue development and innovation of payment systems.

- *Amendments to the Regulations on Investment Management Activities (IMA).* On 4 February 2020, the BSP issued Circular No. 1109 which reduced the minimum size of an account, and expanded the securities eligible as investment outlet for commingled funds under investment management. The investment of each of the IMAs in the commingled fund shall at least be ₱100,000.

- *Restructured Service Fees for Banks' Deposit and Withdrawal Transactions.* On 23 December 2020, the BSP issued Circular No. 1106 which provided the restructured service fees for banks' deposit and withdrawal transactions with the BSP, (b) reinstated of the service fees on new and fit banknote withdrawals, (c) provided provisions on rebates, refunds, and incentives for unfit banknote deposits, and (d) imposed a ₱5,000.00 penalty for cancelled withdrawal transactions.

- *Guidelines on the Establishment of Digital Bank.* On 2 December 2020, the BSP issued Circular No. 1105 which provided guidelines on the establishment of digital banks. It also amended MORB to include Digital Banks as one of the classifications of banks. Existing banks converting to digital banks shall be given a period of three (3) years from approval of the Monetary Board within which to meet the minimum capital requirement and implement the transition plan, including divestment or closure of branches or branch lite units. On 14 September 2022, the BSP issued Circular No. 1154, further amending the MORB to clarify that the three (3)-year capital build-up shall not apply to committed capital infusion of new investors in the converting bank arising from acquisition, purchase/sale, transfer of the converting bank's shares of stock or other similar arrangements, where such required minimum capital shall be infused before the issuance of the Certificate of Authority to Register with the SEC. Currently, a moratorium on the application for a new digital bank license, including conversion of an existing bank's license to a digital bank license, has been imposed beginning 3l August 2021 to date, pursuant to BSP Memorandum No. M-2021-046. The moratorium also covers applications for the establishment of other types of banks which will primarily offer financial products and services that are processed end-to end through a digital platform and/or electronic channel.

- *Amendments to the Regulations on the UITF Marketing Personnel.* On 24 November 2020, the BSP issued Circular No. 1103, as amended by Circular No. 1152 dated 5 September 2022, on the one-year deferment of the certification requirement for UITF Marketing Personnel. The Certification requirement shall be fully implemented beginning year 2023.

- *Reclassification of Debt Securities Measured at Fair Value to the Amortized Cost Category*. On 02 February 2021, the BSP issued Memorandum No. M-2021-011 which amended the guidelines under Memorandum No. M-2020-022 dated 8 April 2020. It provided that a BSFI which avails of the alternative accounting treatment under these guidelines and intends to revert to PFRS 9 shall classify its outstanding debt securities as of the start of the financial reporting period when such a decision will be made, i.e., 01 January, in the case of a BSFI that adopts a calendar year-end reporting period, or as of the first day of its fiscal year, in the case of a BSFI that adopts a fiscal year-end reporting period, as if the classification requirements of PFRS 9 had always been applied to the outstanding debt securities. The cumulative effect of such a reclassification shall be reflected as an adjustment to each affected component of the BSFI's equity at the start of the relevant financial reporting period in its prudential reports. A BSFI may adopt the alternative accounting treatment under this Memorandum in its audited financial statements: Provided, that this is made in accordance with the provisions of SEC MC No. 32 dated 17 November 2020.

- *Amendments to the Regulations on Credit Exposure Limits to a Single Borrower and Definition of Capital.* On 5 January 2023, the BSP issued Circular No. 1164 which provided for minimum operational requirements for credit risk transfer agreements to be excluded from the total credit commitment of a bank to a borrower in reckoning compliance with the SBL.

- *Regulations on Financial Consumer Protection to Implement Republic Act No. 11765, otherwise known as the Financial Products and Services Consumer Protection Act"*. On 28 November 2022, the BSP issued Circular No. 1160 amending the MORB to provide guidelines on Financial Consumer Protection Framework to implement the FPSCPA. The Framework applies to all financial products or services created, developed, offered or marketed by a BSP. The circular provides for measures to be undertaken by BSIs in order to meet the standards of disclosure and transparency, protection of client information, fair treatment, effective recourse, and protection of consumer assets against fraud and misuse.

- *Guidelines on Recovery Plan of Banks.* On 18 October 2022, the BSP issued Circular No. 1158, on the "Guidelines on Recovery Plan of Banks", wherein it requires Philippine banks to adopt a recovery plan which will provide, among others, for early warning indicators and trigger levels (which must be set above the minimum regulatory requirements but below or at more severe levels than the triggers applicable in activating the capital and liquidity contingency plans) for activation of the recovery plan, reporting requirements to the BSP, restoration points, recovery options, preparatory measures and implementation plan, testing and simulation exercises and updating of such recovery plan. The circular recognizes that with respect to foreign bank subsidiaries and branches, such foreign bank branches and subsidiaries may play a role in the recovery options in the group recovery plans or be impacted by their implementation and thus should consider the possible interactions and impacts of the group-wide recovery plans. The recovery plan shall be subject to annual BSP review.

- *Regulatory Sandbox Framework.* In 2022, BSP issued BSP Circular No. 1153 on the Regulatory Sandbox Framework which applies to all BSFIs, third-party service providers of BSFIs, other BSP-registered institutions, and new players that intend to offer or use an emerging or new technology to deliver financial products/services pertaining to activities that could fall under the regulatory purview of the BSP. Applicants should meet certain eligibility standards to be able to participate in the regulatory sandbox. Each regulatory sandbox shall undergo a four-stage process: Application, Evaluation, Testing, and Exit Stage. Participants shall submit (i) interim and (ii) final reports to the BSP to facilitate monitoring of the progress of the regulatory sandbox and the attendant risks. and assessment of the success of the experimentation. In the test design phase, the BSP and the participant shall agree on the details of the reports to be submitted such as the content, frequency, and schedule of reporting, among others. Participants whose sandbox activities are assessed as successful and whose products or services are deemed fit for public consumption shall be issued an authority to operate. The participant shall formally submit to the BSP an application to operate and offer for public use and consumption the proposed product or service that was subjected to the sandbox activity, including any proposed new regulations or changes to existing regulations.

- *Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks.* On August 23, 2022, the BSP issued Circular No. 1149 which provided for guidelines on prudent conduct of investment activities and the minimum practices that a bank should establish for the management and

control of risks associated with its investments. The guidelines cover all of a bank's investments in the trading and banking books, excluding (a) investments that grant control over an enterprise and are accounted for using the equity method, (b) transactions in derivatives involving stand-alone contracts, and (c) receivables arising from repurchase agreements. Under the circular, a bank is mandated to institute a risk management system to manage the risks arising from its investment activities. This system includes having (1) board and senior management oversight; (2) policies, procedures, and limits that provide a framework for managing investment activities; (3) risk measurement, monitoring and management information systems; and (4) internal controls and audit.

- *Amendments to the Ceiling on Interest or Finance Charges for Credit Card Receivables.* On 19 January 2023, the BSP approved Circular No. 1165, which imposed a 36% annual interest rate ceiling on all credit card transactions and a ₱200.00 maximum processing fee in the case of credit card cash advances, except credit card installment loans which shall be subject to a monthly add-on rate not exceeding 1%, subject to review by the BSP every six months.

- *Rules of Procedure for the Consumer Assistance Mechanism.* On 24 March 2023, the BSP issued Circular No. 1169 on the Rules of Procedure for the Consumer Assistance Mechanism, Mediation and Adjudication of Cases in the BSP, pursuant to the FPSCPA. These Rules of Procedure shall govern the consumer assistance mechanism as well as mediation and adjudication of financial consumer complaints in the BSP. The Rules of Court shall not apply except in a suppletory or analogous manner, as may be determined by the Adjudicator.

- *Conduct of Customer Due Diligence*. On 30 March 2023, the BSP issued Circular No. 1170 which provides for amendments to existing rules on the conduct of customer due diligence by banks and non-banks. This includes e-KYC guidelines on the use of digital IDs and other minimum information or documents required for customer identification. BSP defines e-KYC as the use of electronic or digital methods in customer identification and verification process. In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship, nature of the product, or transaction/activity.

- *Amendments to the Regulations on Intraday Liquidity Facility*. On 10 November 2023, the BSP issued Circular No. 1181 which provides for amendments to the MORB on the Intraday Liquidity Facility of the BSP. This includes the change of name of the facility from "Intraday Liquidity Facility" to "Intraday Settlement Facility" (***ISF***) and the automation of the operations of the facility. The operation of the ISF shall be in accordance with Appendix 1 of the Manual of Regulations for Payment Systems.

- *Grant of Additional SBL for Financing Eligible Projects and Zero Percent Reserve Requirement Rate Against Sustainable Bonds*. On 13 December 2023, the BSP issued Circular No. 1185 granting an additional SBL of 15% of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects, including transitional activities to decarbonization, and a gradual reduction of the reserve requirement rate from 1% of the first year of effectivity of the circular, to 0% in the succeeding year, effective for another twelve (12) months, against new and outstanding sustainable bonds issued by banks.

- *Amendments to the Guidelines on Disclosures to the Public*. On 21 December 2023, the BSP issued Circular No. 1186 which amended Section 175 of the MORB on public disclosures. This includes amendments to the preparation, submission, and publication of the quarterly balance sheet and consolidated balance sheets, as well as the submission of the annual report. The circular likewise imposes monetary penalties for erroneous, delayed, or unsubmitted reports, and failure to publish the quarterly balance sheet and consolidated balance sheets, as applicable.

DISTRIBUTION AND SALE

METHODS OF DISTRIBUTION

The Bonds under the Updated Bond Programme will be issued pursuant to the BSP Rules. The issuance of the Bonds is exempt from the registration requirement under the SRC pursuant to Section 9.1(e) of the said law.

The Sole Arranger, the Arranger and the Selling Agents for each issuance under the Updated Bond Programme are required to comply with all laws, regulations, BSP Rules and directives as may be applicable in the Philippines, including without limitation any BSP rules issued by the BSP, in connection with the offering and purchase of the Bonds and any distribution and intermediation activities, whether in the primary or secondary markets, carried out by or on behalf of the Sole Arranger, the Arranger or the Selling Agents in connection therewith.

No action has been or will be taken by the Bank, the Sole Arranger, the Arranger or the Selling Agents in any jurisdiction (other than the Philippines), that would permit a public offering of any of the Bonds, or possession or distribution of this Offering Circular, or any amendment or supplement thereto issued in connection with the offering of the Bonds, in any country or jurisdiction where action for that purpose is required.

Each of the Sole Arranger, the Arranger and the Selling Agents shall be a third-party in relation to Bank, such that, (i) it has no subsidiary/affiliate relationship with Bank; (ii) it is not related in any manner to Bank as would undermine the objective conduct of due diligence on Bank. The Registrar and Paying Agent and Trustee are likewise third-parties in relation to Bank, such that, (i) they have no subsidiary/affiliate relationship with Bank; (ii) they are not related in any manner to Bank as would undermine their independence.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Selling Agents or any affiliate of the Selling Agents is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Selling Agent or its affiliate on behalf of the Bank in such jurisdiction

The Bonds are newly issued securities in scripless for which there currently is no market. A market maker shall be appointed to provide live bids good for the minimum denomination under the Terms and Conditions, and a cumulative trading commitment per trading day, as required under PDEx Trading Rules, Conventions, and Guidelines. The Sole Arranger, the Arranger and the Selling Agents are not obligated to make a market for the Bonds. Accordingly, no assurance can be given as to the development or liquidity of any market for the Bonds.

The Sole Arranger, the Arranger and Selling Agents and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of Sole Arranger, the Arranger and the Selling Agents may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Bank or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services from time to time. In the ordinary course of their various business activities, the Sole Arranger, the Arranger and the Selling Agents and their respective affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Bonds or its subsidiaries, jointly controlled entities or associated companies, including Bonds issued under the Bond Program, may be entered into at the same time or proximate to offers and sales of Bonds or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Bonds. Bonds issued under the Updated Bond Programme may be purchased by or be allocated to the Sole Arranger, the Arranger, Selling Agent or any of their respective affiliates for asset management and/or proprietary purposes whether or not with a view to later distribution. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

APPLICATIONS TO PURCHASE THE BONDS DURING THE OFFER PERIOD

Applicants may purchase the Bonds under the Updated Bond Programme during the relevant Offer Period for each Series or Tranche by submitting fully and duly accomplished Applications to Purchase (**ATP**) the Bonds, whether originally signed in quadruplicate if manually processed/submitted or triplicate if electronically submitted through the electronic Securities Issue Portal together with all the required attachments and the corresponding payments to the Selling Agent from whom such application was obtained no later than 5:00 p.m. of the last day of the relevant Offer Period. ATPs received after said date or without the required attachments will be rejected. Only ATPs which are accompanied by payment in the form of cash, manager's checks, debit instructions or such other forms of instructions that are acceptable to the relevant Selling Agent and provided in the ATP, and which cover the entire purchase price shall be accepted. The Issuer and the Arranger reserve the right to adjust the Offer Period as needed.

If the Applicant is an individual, the following documents must also be submitted:

(a) Identification document (**ID**) of the Applicant which shall consist of any one of the following valid identification documents bearing a recent photo, and which is not expired: Passport, Philippine Identification Card/National ID, Driver's License, Professional Regulation Commission ID, National Bureau of Investigation Clearance, Police Clearance, Postal ID, Voter's ID, Barangay Certification, Government Service Insurance System e-Card, Social Security System Card, Senior Citizen Card, Unified Multi-Purpose ID, Overseas Workers Welfare Administration ID, OFW ID, Seaman's Book, Alien Certification of Registration/Immigrant Certificate of Registration, Government Office and government-owned and controlled corporation ID, e.g., Armed Forces of the Philippines, Home Development Mutual Fund, Certification from the National Council for the Welfare of Disabled Persons, Department of Social Welfare and Development Certification, Integrated Bar of the Philippines ID, company IDs issued by private entities or institutions registered with or supervised or regulated either by the BSP, SEC or the Insurance Commission, or school ID duly signed by the principal or head of the school (for students who are beneficiaries of remittances/fund transfers who are not yet of voting age);
(b) Valid tax identification number issued by the BIR;
(c) For aliens residing in the Philippines or non-residents engaged in trade or business in the Philippines, consularized proof of tax domicile issued by the relevant tax authority of the Applicant; and
(d) Such other documentary requirements as may be reasonably required by the Bank and Selling Agents in the implementation of its internal policies regarding KYC and AML.

If the Applicant is a corporation, partnership, trust, association or institution, the following documents must also be submitted:

(a) SEC-certified or Corporate Secretary-certified true copy of the SEC Certificate of Registration, Articles of Incorporation and By-Laws or such other relevant organizational or charter documents;
(b) Original or Corporate Secretary-certified true copy of the duly notarized certificate confirming the resolution of the Board of Directors and/or committees or bodies authorizing the purchase of the Bonds and specifying the authorized signatories;
(c) Two (2) fully executed signature cards containing the specimen signatures of the authorized signatories of the Applicant, duly authenticated by the Corporate Secretary or by an equivalent officer(s) who is/are authorized signatory(ies);
(d) Valid tax identification number issued by the BIR;
(e) Identification documents of the authorized signatories of the Applicant, as specified in item (a) of the immediately preceding paragraph; and
(f) Such other documentary requirements as may be reasonably required by the Bank and Selling Agents in the implementation of its internal policies regarding KYC and AML.

Corporate applicants who are claiming tax exemption must also submit the following:

(a) Proof of Tax Exemption or Entitlement to Preferential Tax Rates

- For (a) tax-exempt corporations under Section 30 of the Tax Code (except non-stock, non-profit educational institutions under Section 30(H) of the Tax Code); (b) cooperatives duly registered with the Cooperative Development Authority; and (c) BIR-approved pension fund and retirement plan – certified true copy of valid, current and subsisting tax exemption certificate, ruling or opinion issued by the BIR;

- For Tax-Exempt Personal Equity Retirement Account established pursuant to PERA Act of 2008 – certified true copy of the bondholder's current, valid and subsisting Certificate of Accreditation as PERA Administrator;
- For all other tax-exempt entities (including, but not limited to, (a) non-stock, non-profit educational institutions; (b) government-owned or -controlled corporations; and (c) foreign governments, financing institutions owned, controlled or enjoying refinancing from foreign governments, and international or regional financial institutions established by foreign governments) – certified true copy of tax exemption certificate, ruling or opinion issued by the BIR expressly stating that their income is exempt from income tax and, consequently, withholding tax;
- For entities claiming tax treaty relief – (a) prior to the first Interest Payment Date: (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder, or if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR; (2) one (1) original of the apostilled/consularized Tax Residency Certificate (**TRC**) duly issued by the foreign tax authority of the country of the residence of the Bondholder, or if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws; (3) the relevant provision of the tax treaty providing for the claimed tax exemption or preferential tax rate, in a form acceptable to the Issuer; and (4) three (3) originals of the duly notarized, or apostilled/consularized if executed outside of the Philippines, Special Power of Attorney executed by the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, in favor of its authorized representative (if the Application Form for Treaty Purposes and other documents are accomplished by an authorized representative) and confirmation acceptable to the Issuer that the Bondholder or the Bondholder's owners or beneficiaries, as may be applicable, is/are not doing business in the Philippines to support the applicability of a tax treaty relief; (b) prior to the payment of subsequent interests due: (1) three (3) originals of the BIR Form 0901-I (Interest Income) or Application Form for Treaty Purposes filed by the Bondholder, or if the Bondholder is a fiscally transparent entity, each of the Bondholder's owners or beneficiaries with the proof of receipt by the concerned office of the BIR; and (2) one (1) original of the apostilled/consularized TRC duly issued by the foreign tax authority of the country of the residence of the Bondholder, or if the Bondholder is a fiscally transparent entity, the country of residence of each of the Bondholder's owners or beneficiaries in the form acceptable for recognition under Philippine laws, if the validity period of the previously issued TRC has already lapsed; and
- Any other document that the Bank or PDTC may require from time to time.

(b) Original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax-exempt status, that the tax-exemption certificate, ruling or opinion providing for such tax-exempt status has not been revoked or cancelled and that there are no material changes in character, purpose or method of operation of the Bondholder which are inconsistent with the basis of its income tax exemption, or warranting the Bondholder's entitlement to preferential treaty rates, and undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax-exempt status or treaty privileges and agreeing to indemnify and hold the Issuer and the Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and

(c) Such other documentary requirements as may be required by the Issuer or the Registrar and Paying Agent as proof of the Applicant's tax-exempt status.

ALLOCATION AND ISSUE OF THE BONDS

Applications to Purchase the Bonds shall be subject to the availability of the Bonds and acceptance by the Issuer. The Arranger, in consultation with the Issuer, reserves the right to accept, reject, scale down or reallocate any Application to purchase the Bonds applied for under the relevant Series or Tranche of Bonds.

In the event that payment supporting any Application is returned by the drawee bank for any reason whatsoever, the Application shall be automatically cancelled and any prior acceptance of the Application shall be deemed revoked. If any Application is rejected or accepted in part only, the application money or the appropriate portion thereof will be returned without interest by the relevant Selling Agent.

On the relevant Issue Date, the Selling Agents shall, on behalf of the Issuer, accept the relevant Applications to Purchase. The acceptance of the Application to Purchase shall ipso facto convert such Application to Purchase into a purchase agreement between the Issuer and the relevant Bondholder.

Upon confirmation by the Issuer of acceptance of the relevant Applications and the respective amount of Bonds, the Registrar and Paying Agent shall release in accordance with the Registry and Paying Agency Agreement the relevant registry confirmation (the **Registry Confirmation**) to successful applicants confirming the acceptance of their purchase of the Bonds and consequent ownership thereof and stating the pertinent details including the amount accepted, with copies to the Issuer.

The Registrar shall be entitled to rely solely on the Final Sales Reports submitted by the Selling Agent to the Registrar. Where PDTC discovers, after Issue Date, any inconsistency between the Final Sales Report and the Application to Purchase submitted by the Bondholder, PDTC reserves the right to rely subsidiarily on the Applications to Purchase, to the extent that the information in the Final Sales Report is noted to be inconsistent with the Application to Purchase. Within seven (7) Banking Days from the Issue Date, the Registrar shall distribute the Registry Confirmations directly to the Bondholders in the mode elected by the Bondholder as indicated in the Application to Purchase. However, if the e-SIP is used, the Registrar shall automatically issue a Registry Confirmation to the Bondholder once endorsed by the Selling Agents.

TRANSACTIONS IN THE SECONDARY MARKET

All secondary trading of the Bonds shall be coursed the trading facilities of PDEx, as applicable, subject to the payment by the Bondholder of fees to the connection with trading on PDEx, and the Registrar. Transfers shall be subject to the procedures of the BSP, the Registrar and PDEx, including but not limited to the guidelines on minimum trading lots, minimum holding denominations, and record dates.

The Bank shall list the Bonds under the Updated Bond Programme in PDEx for secondary market trading. Upon listing of the Bonds with PDEx, investors shall course their secondary market trades through the trading participants of PDEx for execution in the PDEx Trading Platform in accordance with the PDEx Trading Rules, Conventions and Guidelines, as these may be amended or supplemented from time to time, and must settle such trades on a Delivery versus Payment (DvP) basis in accordance with PDEx Settlement Rules and Guidelines. The secondary trading of the Bonds in PDEx may be subject to such fees and charges of PDEx, the trading participants of PDEx, and other providers necessary for the completion of such trades. Transactions on the Bonds on PDEx will be subject to the duly approved and relevant rules of the exchange, including guidelines on minimum trading lots and other guidelines for holding and trading of the Bonds as may be prescribed by the BSP.

For the avoidance of doubt, the minimum denomination for the Bonds as prescribed by the BSP or as may be provided in the relevant Pricing Supplement must be kept at all times. Consequently, no negotiation or secondary trading will be allowed if the result is that a remaining Bondholder of the Bonds will hold less than the minimum denomination as prescribed or approved by the BSP or as stated in the relevant Pricing Supplement.

No transfers will be effected for a period of two (2) Business Days preceding the due date for any payment of interest on the Bonds, or during the period of two (2) Business Days preceding the due date for the payment of the principal amount of the Bonds.

The Registrar shall register any transfer of the Bonds upon presentation to it of the following documents in form and substance acceptable to it:

- The relevant Trade- Related Transfer Form or Non-Trade Transfer Form as the case may be, duly accomplished by the transferor Bondholder and endorsed by the PDEx Trading Participant;
- duly accomplished Investor Registration Form of the buyer/transferee as prescribed by the Registrar as well as all supporting documents described for the original issuance of the Bonds as described above (in case of a new holder);
- proof of the qualified tax-exempt status of the transferee, if applicable, and the covering Affidavit of Undertaking;
- the original duly endorsed signature cards of the buyer/transferee and such other original or certified true copies of other documents submitted by the buyer/transferee in support of the transfer or assignment of the Bonds in its favor;

- the appropriate secretary's certificate attesting to the board resolutions authorizing the transfers and acceptances as well as designating the authorized signatories, together with specimen signature cards duly signed by the parties, and duly authenticated by each party's corporate secretary; and
- such other documents that may be required by the Registrar, including those for Non-Trade Transactions.

Transfers of the Bonds made in violation of the restrictions on transfer under the Terms and Conditions shall be null and void and shall not be registered by the Registrar.

INTEREST AND PRINCIPAL PAYMENT

On the relevant Payment Date, the Registrar shall, upon receipt of the corresponding funds from the Issuer, make available to the Bondholders the amounts due under the Bonds, net of taxes and fees (if any), by way of credits to the bank accounts identified by the Bondholders in the ATP.

SCHEDULE OF REGISTRY FEES

The Registrar and Paying Agent shall be entitled to charge the Bondholders and/or their counterparties such reasonable fees as the Registrar and Paying Agent shall prescribe in connection with the services that the Registrar and Paying Agent shall perform, such as, but not limited to, the opening and maintaining of accounts in favor of the Bondholders, the maintenance of the records of the Bondholder in the Registry, the issuance, cancellation, and replacement, when proper, of the Registry Confirmations, and the transfers of the Bonds from a purchaser or seller/transferor of the Bonds.

Transfer Fees in the Secondary Trading

1. Transfer Fee of ₱100.00 to be paid each by the transferring Bondholder and the buyer/transferee prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer. For transfers from a registry account to the depository, the full charge of ₱200.00 per transfer shall be charged to the transferring bondholder.
2. Account Opening Fee of ₱100.00 to be paid upfront by a transferee who has no existing account in the Registry.
3. Such transaction fees as PDTC shall prescribe for effecting electronic settlement instructions received from the PDS Clear System if so duly authorized by a bondholder.

Transfer Fees due to Non-Trade Transactions

1. Transaction Fee of ₱100.00 to be paid each by the transferring bondholder and the requesting party prior to the registration of any transfer of the Bonds in the Registry. Either side may opt to pay the full charge of ₱200.00 per transfer.
2. Transaction Fee of ₱500.00 per side plus legal cost, for non-intermediated transfers (e.g. inheritance, donation, pledge).

Other Fees charged to the Bondholder

These fees pertain to instances when PDTC is requested to undertake the printing of non-standard reports for the Bondholders for which appropriate fees are charged to cover the related overhead costs. The fee may vary depending on the type of report, as follows:

1. Fee of ₱200.00 to be paid upon each application for a certification request of holding.
2. Fee of ₱50.00 to be paid upon each application for a monthly statement of account (in addition to the quarterly statement of account to be issued by the Registrar to each Bondholder free of charge).
3. Fee of ₱50.00 to be paid upon application for the issuance of a replacement Registry Confirmation for reasons such as mutilated, destroyed, stolen or lost.
4. The fee for Special Reports varies depending on request.

(a) Report without back-up file restoration is subject to a fee of ₱100.00 per request, plus ₱20.00 per page.
(b) Report requiring back-up file restoration is subject to a fee of ₱300.00 per request, plus ₱20.00 per page.

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