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ROBINSONS BANK CORPORATION

(A banking corporation organized and existing under Philippine Laws)

₱2,500,000,000.00 with oversubscription of ₱[•] [•]% Philippine Peso Denominated
Fixed Rate Bonds Due [•]
Issue Price 100%

Robinsons Bank Corporation (“Robinsons Bank” or the “Bank” or the “Issuer”) is offering ₱2,500,000,000.00 with oversubscription of ₱[•] worth of Philippine Peso Denominated Fixed Rate Bonds Due [•] (the “Bonds”) pursuant to Bangko Sentral ng Pilipinas (“BSP”) Circular No. 1010 (Series of 2018) and any other circulars and regulations as may be relevant to the transaction, as amended from time to time (the “BSP Rules”), and shall at all times be subject to and governed by the Terms and Conditions of the Bonds (see “Terms and Conditions of the Bonds”).

The Bonds will bear interest at the rate of [•]% per annum from and including [•] to but excluding [•], and interest will be payable quarterly in arrears at the end of each Interest Period on [•], [•], [•], and [•] beginning on [•]. If the Interest Payment Date is not a Business Day, interest will be paid on the next succeeding Business Day, without adjustment to the amount of interest to be paid. See “*Terms and Conditions of the Bonds*”.

The Bonds will constitute direct, unconditional, unsecured, and unsubordinated peso-denominated obligations of the Bank enforceable according to the Terms and Conditions of the Bonds. The Bonds will at all times rank pari passu and without any preference among themselves, and at least pari passu with all other direct, unconditional, unsecured, and unsubordinated Peso-denominated obligations of the Bank, present and future, other than obligations mandatorily preferred by law or priority established under Philippine laws. (See “*Terms and Conditions of the Bonds - Status and Ranking*”.)

The Bonds will be issued in scripless form and in minimum denominations of ₱50,000.00 and in increments of ₱10,000.00 thereafter, and will be registered and lodged with the Registrar through an electronic registry book (“Bond Registry”) in the name of the Bondholders. The Bonds will be issued on such terms and conditions set out in the Terms and Conditions of the Bonds. Upon issuance, the Bonds will be listed for trading through the facilities of the Philippine Dealing and Exchange Corporation (“PDEX” or the “Exchange”), as required by BSP Rules. The Bonds will be represented by a Bond Certificate deposited with the Registrar. The Bond 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 Bond Registry, including the amount and summary terms and conditions of the Bonds (the “Registry Confirmations”). The Bonds will be eligible for electronic book-entry transfers in the Bond Registry without the issuance of other evidences or certificates, and any sale, transfer, or conveyance of the Bonds shall be coursed through or effected using the trading facilities of the Exchange.

The Bank has an Issuer Rating of [•] from Philratings. 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 will be listed by the Bank on 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 Bond Registry, and issuance of Registry Confirmations in favor of transferee Bondholders.

Sole Issue Manager, Bookrunner and Underwriter



Selling Agents

The date of this Offering Circular is [•].

Unless the context indicates otherwise, any reference to the “Bank”, “Robinsons Bank”, or the “Issuer” refers to Robinsons Bank Corporation. The information contained in this Offering Circular relating to the Bank, its operations, and those of its subsidiaries and associates has been supplied by the Bank, unless otherwise stated herein.

This Offering Circular has been prepared solely for the information of persons to whom it is transmitted by BDO Capital & Investment Corporation as the Sole Issue Manager, Bookrunner and Underwriter, and Selling Agent, or the Bank in its capacity as Selling Agent, together with [•] and [•] (collectively, the “Selling Agents”), with respect to the Bonds to be issued by the Bank. 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 wholly owned subsidiary, Legazpi Savings Bank, Inc. (“LSB”) (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 responsibility accordingly.

In making an investment decision, you must rely on your 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, you acknowledge that (i) you have not relied on the Sole Issue Manager, Bookrunner and Underwriter or on the Selling Agents or any person affiliated with the Sole Issue Manager, Bookrunner and Underwriter or the Selling Agents 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 Issue Manager, Bookrunner and Underwriter.

Each of BDO Capital & Investment Corporation, the Selling Agents (other than the Bank in its capacity as such Selling Agent), and the Philippine Depository & Trust Corp. (“PDTC” or the “Registrar”), is a third-party in relation to the Bank and each is (i) not a subsidiary or affiliate of the Bank and (ii) not related in any manner to the Bank as would undermine its independence and ability to perform its obligations in relation to the issuance of the Bonds.

The Sole Issue Manager, Bookrunner and Underwriter, and Selling Agents have not independently verified all 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 Issue Manager, Bookrunner and Underwriter and Selling Agents (other than the Bank) 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. The Sole Issue Manager, Bookrunner and Underwriter, and Selling Agents assume no liability in relation to 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. 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, material or otherwise, in the condition, operations, or affairs of the Bank or the Group since the date of this Offering Circular or that any information contained herein is correct as of any date subsequent to the date hereof.

None of the Bank, the Sole Issue Manager, Bookrunner and Underwriter, Selling Agents (other than the Bank) or any of their respective affiliates or representatives is making any representation to any purchaser of 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, tax, or investment 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 advisors as to the legal, tax, business, financial, and related aspects of a purchase of the Bonds.

Neither the delivery of this Offering Circular nor the offering, sale, or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Bonds is correct as at any time subsequent to the date indicated in the document containing the same. The Sole Issue Manager, Bookrunner and Underwriter 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.

This Offering Circular does not constitute an offer to sell or an invitation by or on behalf of the Bank or the Sole Issue Manager, Bookrunner and Underwriter or the Selling Agents or any of their respective affiliates or representatives to purchase any of the Bonds, and may not be used for the purpose of an offer to, or a solicitation by, anyone, in each case in any jurisdiction or in any circumstance in which such offer or solicitation is unauthorized or is unlawful. Each investor in the Bonds must comply with all applicable laws and regulations 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 Issue Manager, Bookrunner and Underwriter nor the Selling Agents shall have any responsibility therefor. Recipients of this Offering Circular are required to inform themselves about and observe any applicable restrictions or 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.

The Bank's audited financial statements as of and for the years ended December 31 2016, 2017, and 2018, and the Unaudited interim condensed consolidated financial statements for the six months ended June 30, 2019 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 December 31 2016, 2017, and 2018 were audited by SGV & Company and the six months ended June 30, 2019 were reviewed by SGV & Company.

CONVENTIONS WHICH APPLY TO THIS OFFERING CIRCULAR

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government", "Philippine Government" or the "National Government" herein are references to the Government of the Philippines. All references to "United States" or "U.S." herein are to the United States of America. All references to "Peso", "Php", "P", "P" or "P" herein are to the lawful currency of the Philippines and all references to "U.S. dollars", "USD" or "US\$" herein are to the lawful currency of the United States.

Figures in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

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".

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 words or phrases such as "will", "would", "aim", "aimed", "will likely result", "is likely", "are likely", "believe", "expect", "expected to", "will continue", "will achieve", "anticipate", "estimate", "estimating", "intend", "plan", "contemplate", "seek to", "seeking to", "trying to", "target", "propose to", "future", "objective", "goal", "project", "should", "can", "could", "may", "will pursue", "in management's judgment" and similar expressions or variations of such expressions that are "forward-looking statements". Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with management's expectations with respect to, but not limited to:

- the actual growth in demand for banking and other financial products and services;
- future levels of non-performing assets;
- the Bank's growth strategy and expansion plans;
- the adequacy of the Bank's allowance for credit and investment losses;

- technological changes;
- the Bank's ability to market new products and services;
- the outcome of any legal or regulatory proceedings to which the Bank is, or may become, a party;
- the future impact of new accounting standards;
- the impact of Philippine banking regulations on the Bank;
- the Bank's ability to access low-cost funding;
- increased competition from other banks; and
- the Bank's exposure to market risks.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses, or impact on net interest income and net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic and political conditions in the Philippines and the other countries which have an impact on the Bank's business activities or investments; the monetary and interest rate policies of the Government; inflation, volatility in interest rates, foreign exchange rates, equity prices or other rates or prices; the performance of the financial markets in the Philippines and globally; changes in Philippine and foreign laws and regulations, including tax, accounting and banking regulations; changes in competition in the Philippines; and changes in asset valuations. For further discussion of the factors that could cause actual results to differ, see *"Investment Considerations"*.

The Bank, the Sole Issue Manager, Bookrunner and Underwriter, and the Selling Agents assume no obligation to update any of the forward-looking statements after the date of this Offering Circular or to confirm these statements to actual results, subject to compliance with all applicable laws. The Bank, the Sole Issue Manager, Bookrunner and Underwriter, and the Selling Agents assume no obligation to update any information contained in this Offering Circular or to publicly release any revisions to any forward-looking statements to reflect events or circumstances; or to reflect that the Issuer became aware of any such events or circumstances that occur after the date of this Offering Circular.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, all industry and market data with respect to the Philippine banking and financial services industries were derived from information compiled and made available by the BSP or other public sources. None of the Bank or any of the Sole Issue Manager, Bookrunner and Underwriter, and Selling Agents has verified such information with independent sources nor makes any representation as to the accuracy or completeness of such information. Industry publications, surveys, and forecasts generally state that the information contained therein has been obtained from sources believed by the compiler of such information to be reliable, but the Bank cannot assure prospective purchasers of Bonds that such information is accurate or complete. While reasonable actions have been taken by the Bank to ensure that such information has been extracted accurately and in its proper context, the Bank has not independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein.

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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. Investors should read this entire Offering Circular carefully including the Bank's consolidated financial statements and related notes and "Investment Considerations".

Overview of the Bank

Robinsons Bank Corporation is a commercial bank and the financial services arm of the JG Summit Group of Companies ("JG Summit Group"). The Bank is 60.0% owned by JG Summit Capital Services Corp. ("JGSCSC") and 40.0% owned by Robinsons Retail Holdings, Inc. ("RRHI"). Robinsons Bank is a full-service Philippine commercial bank. The Bank's principal banking products and services include deposit, corporate and retail banking, online banking, cash management, treasury, trust, bancassurance, credit cards, trade services, and other bank services.

Robinsons Bank started as a savings bank in November 1997 amid the backdrop of the Asian financial crisis. In 2002, then Robinsons Savings Bank acquired the branches of ABN Amro Savings Bank (Philippines), and its licenses to operate the branches and bank deposit portfolio. This acquisition made Robinsons Savings Bank the seventh largest savings bank during that period.

On April 23, 2010, the Monetary Board approved the joint acquisition of The Royal Bank of Scotland (Philippines), Inc., a commercial bank, by JGSCSC and Robinsons Holdings, Inc. ("RHI", now renamed to "Robinsons Retail Holdings, Inc.") on a 60%-40% ownership ratio. On August 6, 2010, The Royal Bank of Scotland (Philippines), Inc. was renamed as "Robinsons Bank Corporation". Later, on December 17, 2010, the BSP endorsed to the SEC the merger between Robinsons Bank Corporation, the commercial bank, and Robinsons Savings Bank, the savings bank, with Robinsons Bank Corporation as the surviving entity. On May 25, 2011, the SEC approved the merger of Robinsons Bank Corporation and Robinsons Savings Bank, with the latter as the surviving entity. With this merger, the Bank became the 14th largest amongst commercial banks and the 31st largest bank in the Philippine banking system by the end of 2010. In December 2012, Robinsons Bank Corporation acquired LSB, with LSB becoming a wholly-owned subsidiary of Robinsons Bank. The acquisition of LSB opened opportunities and helped grow the target market for Robinsons Bank in the Bicol region. Moreover, this has allowed the Bank to operate its countryside banking through LSB's branches and micro-banking offices ("MBO").

The June 30, 2019 BSP ranking for Universal and Commercial Bank Group shows Robinsons Bank Corporation ranks 16th based on the loan volume of ₱73.18 billion and 18th based on the deposit volume of ₱88.29 billion. The Bank's market share for assets, loans, and deposits are also improving from 2016 to 2018.

Competitive strengths

Strong shareholder group. The Bank is 60.0% owned by JGSCSC and 40.0% RRHI. The ultimate parent company of the Bank is JG Summit Holdings Inc. ("JGSHI"), which is one of the country's largest and most diversified conglomerates. JG Summit Group's resources expanded into foods, agro-industrial and commodities, real estate and hotels, air transportation, petrochemicals and financial services, and also has core investments in telecommunications and power generation and distribution. These companies are controlled by the Gokongwei Family. In July 2018, the shareholders infused an additional ₱3.0 billion as deposit for future stock subscription which was converted into capital of the Bank in March 2019. This is on top of the ₱5.9 billion which they infused in 2015, signaling their continuing confidence in the Bank's growth prospects.

Committed and experienced Board of Directors and Management team. The Bank's Board of Directors ("Board") are known for their independence and professionalism and for making decisions with complete fidelity to the Bank while cognizant of their responsibilities under existing applicable laws, rules, and regulations. The Board has demonstrated the ability to provide direction and has taken decisive steps in leading the Bank to sustained growth. The Bank boasts of a highly qualified management team with extensive experience in the banking industry.

Sound financial performance. Benefitting from the implementation of the Bank’s five year strategic initiative launched last 2015, Roadmap 2020, the Bank’s profitability continues to be on the uptrend, with net income reflecting a 28% growth from 2016 to 2018. Net interest income showed a 48% growth over the same period. The Bank’s total assets expanded by 56% from 2016 to 2018 as loan portfolio grew by 76%. Notwithstanding its impressive growth, the Bank was able to preserve strong asset quality, as reflected in the improvement in the non-performing loan (“NPL”) ratio. Robinsons Bank’s capital adequacy ratio (“CAR”) remains comfortable, well above BSP’s minimum requirement of 10.0%.

Synergy with the JG Summit Group. The diversity, network, and financial strength of the companies in the JG Summit Group provide Robinsons Bank significant opportunities to harness synergies in the areas of commercial and retail banking. The size of the Group provides a huge captured market for its deposit, corporate and consumer lending, online banking, cash management, treasury, trust, credit cards, and other banking products and services.

Strong growth potential. In 2015, the Bank mapped out its strategic thrusts for the next five years to rev up the Bank’s growth towards its goal of becoming “the Bank of Choice”. The Roadmap 2020 has three phases: (i) capacity building, (ii) core income growth, and (iii) expanded business ventures. Ahead of schedule, the Bank has rolled-out Phase 3 of the Roadmap 2020. In 2018, various products and services were launched: bancassurance, merchant acquiring, Direct2Bank PesoNet, Direct2Bank InstaPay and Simplé. In 2019, the Bank introduced its IponSurance product.

Strategies

Robinsons Bank aims to be one of the top banks in the Philippines, offering innovative and competitive financial products and services to its clients. The Bank’s five year initiative Roadmap 2020 serves as guide to achieve the Bank’s goals. The Roadmap covers: refocusing of strategies; organizational restructuring of the key support units; improving processes; expanding lending and branch network; developing new products and services; and fully exploring business opportunities within its target markets.

The Bank executed Phase 1 (Capacity Building) of the Roadmap 2020 in 2015. During 2015, capital equivalent to the unissued shares from Bank’s existing authorized capital stock of ₱6.1 billion was infused to the Bank. Starting 2016, the Bank focused on Phase 2 (Core Income Growth), and by 2017, the Bank entered Phase 3 (Expanded Business Ventures). In 2017 and 2018, the Bank launched numerous products and services that will augment its core businesses. The Bank introduced the Robinsons Bank Credit Card in 2017, and officially launched it on May 21, 2018, in a bid to provide financial flexibility to its customers. The Bank also announced the launch of its bancassurance business in 2018, after establishing a strategic partnership with Pru Life UK. In September 2018, the Bank also entered into the Merchant Acquiring space. The Bank also issued ₱4.18 billion and ₱1.78 billion of Long Term Negotiable Certificates of Deposits in 2017 and 2018, respectively, to diversify the maturity profile of its funding sources as well as to support medium-term expansion initiatives.

For the next two years, the Bank will continue to implement the business strategies set in the Roadmap 2020, develop new and innovative products suitable to customer needs, and implement its digital transformation initiatives to provide better customer experience. For 2019, the Bank also aims to grow its asset base by 32%. To generate core income, the Bank is planning to increase its gross loan portfolio by 32% and grow its deposits by 33% from 2018. The Bank also aims to maintain its good asset quality. To reach greater market coverage, the Bank plans to open 16 new branches across the country and install 44 new ATMs. The Bank also aims to increase its credit card base to 100,000 active cards.

Bank Information

The registered office of the Bank is located at 17th Floor, Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City. The Bank’s telephone number is +(632) 637-CARE (2273) and its corporate website is www.robinsonsbank.com.ph. The information on the Bank’s website is not incorporated by reference into, and does not constitute part of, this Offering Circular.

Investment Considerations

Prospective investors should consider the current and immediate political and economic factors in the Philippines as principal risks for investing. Political instability and threats to local and regional currencies may also influence the operations, growth, and profitability of the Bank. Of equal importance are the investment considerations regarding the Bank's operations. See *Investment Considerations* on page 9.

Recent developments

As a Commercial bank with more than 100 branches, pursuant to BSP Circular 854, the Bank is required to meet the minimum capitalization of ₱15.0 billion. The Bank's Board of Directors approved on June 27, 2018, the increase of the Bank's Authorized Capital Stock from ₱15.0 billion to ₱27.0 billion. This increase was confirmed and approved by the stockholders of the Bank in a special stockholders' meeting held on August 23, 2018. On March 18, 2019, the SEC approved the increase of the Bank's authorized capital stock.

INVESTMENT CONSIDERATIONS

Before investing in the Bonds, prospective investors should pay particular attention to the fact that the Bank and its activities are governed by the legal, regulatory, and business environment in the Philippines. The business of the Bank is subject to a number of factors, many of which are outside the control of the Bank. 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. Prior to making an investment decision, prospective investors should carefully consider, along with the other information in this Offering Circular, the following investment considerations. The investment considerations set forth below are not an exhaustive list of the challenges currently facing the Bank or that may develop in the future. Additional considerations, whether known or unknown, may in the future have a material adverse effect on the Bank or the Bonds. 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 Issue Manager, Bookrunner and Underwriter makes any warranty or representation on the marketability or price on any investment in the Bonds.

Considerations Relating to the Philippines

Political instability in the Philippines could destabilize the country and may have a material impact on the Bank's businesses.

The Philippines has from time to time experienced political, military, and social instability.

Presidential elections for the Philippines were held on May 9, 2016, and on June 30, 2016, President Rodrigo Duterte assumed the presidency with a solid mandate to advance his "Ten-Point Socio-Economic Agenda", focusing on policy continuity, tax reform, infrastructure spending, and countryside development, among others. The Duterte government has initiated efforts to build peace with the communist rebels and other separatists through continuing talks with these groups. In April 2018, the President created a task force to further improve the reintegration package for communist rebels who surrender to the government.

President Duterte is also pushing for the shift to the federal-parliamentary form of government. Under the draft federal charter, the Philippines will be divided into 18 autonomous federal regions which are given more power for self-governance than under the present Philippine Constitution. The federal regions are said to be granted greater powers over socioeconomic planning, land use, financial administration and management. The central government, on the other hand, will retain powers over national security and defense, international relations and diplomacy, customs and tariff, federal crimes and implementation of the criminal justice system. In addition to this, the draft federal charter increases the number of Philippine senators from 24 to 36 and Congressmen from 297 to 400. Recently, however, several concerns were raised regarding the financial viability of the proposed shift to federalism. No less than the

Philippines' Finance Secretary, Carlos Dominguez, said that he would absolutely vote against the draft federal charter as it could end up as a "financial nightmare". Similarly, Socioeconomic Planning Secretary Ernesto Pernia said that the shift could "wreak havoc" on the Philippine economy. These criticisms came as Filipino economists raised issues on the monetary cost of the proposed shift to federalism and the possibility of hyperinflation due to the expected overspending in the federal regions.

Since assuming his post, President Duterte has waged a supposed all-out war against illegal drugs. Led by the Philippine National Police, the government has continued to extensively pursue thousands of drug suspects all over the country. As of January 31, 2017, police data showed that there had been 43,593 police operations conducted, 53,025 drug personalities arrested, 7,069,095 houses visited, and a total of 1,179,462 suspects had surrendered. The drug war, however, has been heavily criticized for having resulted in a spate of killings in all parts of the Philippines. As of May 2018, it was reported that at least 4,729 suspects had been killed in police anti-drug operations. Human rights organizations, however, estimate the actual number to be around 20,000. Philippine National Police documents also reveal that since the drug war started on July 1, 2016 and up to June 11, 2018, there had been 23,518 Homicide Cases Under Investigation recorded, which is equivalent to an average of 33 killings per day. Church leaders and many civil society organizations have called for an end to the drug war, but the extensive police drug operations continue to this date.

On June 29, 2016, son of former dictator Ferdinand E. Marcos and defeated vice-presidential candidate - Ferdinand Marcos, Jr., filed an election protest against the election of Vice President Leni Robredo. The recount of ballots for the electoral protest began on March 19, 2018 and it is uncertain when the results of such recount will be released. Notably, however, President Duterte has publicly stated that if Marcos wins his election case against Robredo, he will likely step down as President to pave the way for a Marcos presidency.

In March 2018, following President Duterte's highly publicized calls for then Chief Justice Maria Lourdes Sereno's ouster, the Committee on Justice of the Philippines House of Representatives approved six articles of impeachment against Sereno on the basis of a complaint filed by a known Duterte ally. In an unprecedented move, however, on May 11, 2018, the Supreme Court of the Philippines en banc voted 8-6 and ousted Chief Justice Maria Lourdes Sereno via a quo warranto petition on the basis of an allegedly invalid appointment. The ouster was labelled as political persecution and was heavily marred by controversy as it was not coursed through the constitutional process of impeachment. There can be no assurance that the current administration will continue to implement social and economic policies favored by the previous administration. Major deviations from the policies of the previous administration or fundamental changes of direction may lead to a political or social uncertainty and instability. President Duterte's methods may also raise risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Bank's business, prospects, financial condition, and results of operations.

In addition, the Bank may be affected by political and social developments in the Philippines. Changes in the political leadership and/or government policies in the Philippines, such as political or regulatory changes may include, but are not limited to, the introduction of new laws and regulations that could affect the Bank's business.

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

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.

The Peso's valuation may be adversely affected by certain events and circumstances such as the strengthening U.S. economy, the rise of the interest rates in the U.S., trade wars, and other events that could impact the global market or

the Philippine economy, leading investors to move their investment portfolios to safer economies. Consequently, an outflow of funds and capital from the Philippines may occur and may result to fluctuations in the domestic currency. As of December 31, 2018, according to BSP data, the Peso has depreciated by 5.61% to ₱52.7240 per US\$1.00 from ₱49.9230 per US\$1.00 at the end of 2017. As of June 29, 2019, the Peso exchange rate was at ₱51.358 per US\$1.00.

The Bank's operations and assets are based in the Philippines, which expose the Bank to risks associated with the country, including the performance of the Philippine economy.

The Bank's business activities and assets are based in the Philippines, which expose the Bank to risks associated with the Philippines, including the performance of its economy. Historically, the Bank has substantially derived all of its revenues and operating profits from the Philippines, and as such, their businesses are highly dependent on the state of the domestic 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 overseas Filipino workers ("OFWs") and overseas Filipinos. Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing, or financial activities in the Philippines, in the Southeast Asian Region, or globally;
- scarcity of credit or other financing, resulting to lower demand for products and services provided by companies in the Philippines, in the Southeast Asian region, or globally;
- fluctuations in exchange rate;
- rising inflation;
- increasing interest rates;
- decreasing levels of employment, consumer confidence, and income;
- changes in the Philippine government's fiscal and monetary policies;
- re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), or AH1N1, or the emergence of another similar disease (such as Zika) in the Philippines or in other countries in Southeast Asia;
- occurrence of 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/or
- other social, political, or economic developments which may affect the Philippine economy.

In December 2017, President Rodrigo Duterte signed into law Republic Act No. 10963 or Package One of the Tax Reform for Acceleration and Inclusion ("TRAIN") bill which seeks to help fund the government's massive infrastructure program through increased revenues from higher excise taxes on certain items (e.g., petroleum products, coal, automobiles, tobacco and sugar-sweetened beverages), as well as higher tax rates on interest income from deposits in expanded foreign currency system, capital gains, documentary stamps (for various transactions) and stock transactions. While personal income taxes were also lowered under TRAIN, the inflationary impact from the tax reform, along with the sustained rise in oil and food prices, especially rice, partly negated the benefits from lower personal income taxes. Meanwhile, Package Two of the tax reform package, also known as TRAIN 2 or TRABAHO (Tax Reform for Attracting Better and High-Quality Opportunities), which was approved by the House of Representatives in its third and final reading on September 10, 2018, and which the Duterte administration hopes to be signed into law, involves lowering the corporate income tax and rationalizing fiscal incentives. 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, and luxury taxes. 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.

There can be no assurance that the Philippines will maintain the strong economic fundamentals in the future. Any future deterioration in economic conditions in the Philippines due to these or other factors could materially and adversely affect the Bank's borrowers and contractual counterparties. This, in turn, could materially and adversely

affect the Bank's financial position and results of operations, including the Bank's ability to grow its asset portfolio, the quality of the Bank's assets, and its ability to implement its business strategy.

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

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions, and earthquakes. There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt the Bank's operations.

Last 2018, the country was badly hit by super typhoon "Mangkhut" (locally known as typhoon "Ompong"), causing loss of lives and damage to property and livelihood in northern Philippines. Agricultural damage in the typhoon-affected areas was initially estimated at US\$264 million. Monsoon rains which may be coupled with typhoons, such as the country's experience with Typhoon Henry in 2018, as well as earthquakes such as that which affected Bohol in 2014, may have similar effects. In 2015, the Philippine Institute of Volcanology and Seismology released its updated map of the Valley Fault System. Several concerns were raised that Metro Manila is due for a powerful earthquake on the basis of the possible movement of the West Valley Fault, a 100-kilometer fault which traverses various parts of Metro Manila and surrounding provinces. It is expected that this possible natural catastrophe will greatly affect the country considering that Metro Manila is highly populated and hosts both the Philippine capital and business districts.

Last April 2019, Central Luzon experienced a 6.1 magnitude earthquake, the strongest since the 1990 earthquake. Most businesses in Metro Manila resumed office the following day. 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. The Bank allocates a certain amount every month as self insurance to cover for potential operational losses. Should an uninsured loss or a loss in excess of allocated amount occur, the Bank could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect the Bank's business, financial position, and results of operations.

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

The Philippines has been subject to a number of terrorist attacks since 2000. An increase in the number of terrorist activities or violent crimes in the Philippines could negatively affect the Philippine economy and, therefore, the Bank's financial condition and its business.

In recent years, the Philippine army has also been in conflict with the Abu Sayyaf organization, which has possible links to the al-Qaeda terrorist network and has been identified as being responsible for certain kidnapping incidents and other terrorist activities, particularly in isolated provinces of the southern part of the Philippines. In September 2015, Canadians John Ridsdel and Robert Hall, Norwegian Kjartan Sekkingstad, and Filipina Marites Flor were kidnapped from a tourist resort on Samal Island in southern Philippines by the Abu Sayyaf, which demanded ransom for the hostages' release. Hall and Ridsdel were later beheaded on separate occasions in April and June 2016, respectively, after the ransom demands were allegedly not met. After almost a year in captivity, Sekkingstad and Flor were finally released. An increase in the frequency, severity, or geographic reach of these terrorist acts could destabilize the Philippines and adversely affect the country's economy.

Moreover, there were isolated bombings in the Philippines in recent years, including a bombing in Davao City, President Duterte's home city, on September 2, 2016. The explosion was caused by an improvised explosive device and occurred in a night market near Marco Polo Hotel which was said to be frequented by President Duterte. Soon after the incident, a spokesman for the militant group Abu Sayyaf claimed responsibility for the attack, which caused at least 15 deaths and 70 injuries.

The Government of the Philippines and the Armed Forces of the Philippines have clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front (“MILF”), the Moro National Liberation Front, and the New People’s Army.

In January 2015, a clash took place in Mamasapano in Maguindanao province between the Special Action Force (“SAF”) of the Philippine National Police (“PNP”), the Bangsamoro Islamic Freedom Fighters, and the MILF, which led to the deaths of 44 members of SAF, 18 from the MILF, five from the Bangsamoro Islamic Freedom Fighters, and several civilians, including Zulkifli Abduh, a Malaysian national included in the US Federal Bureau of Investigation’s most wanted terrorists.

On May 23, 2017, a deadly firefight in Marawi, Lanao del Sur, erupted between government security forces and the ISIS affiliated-Maute group, following the government’s offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared Martial Law in Mindanao amid protests from the opposition and sectors of civil society.

On June 5, 2017, opposition legislators filed a petition with the Supreme Court questioning the proclamation's constitutionality, alleging that such was factually baseless, and consequently, should be revoked. After conducting hearings on the petition, the Supreme Court upheld the constitutionality of Proclamation No. 216, by a vote of 11-3-1. In October 2017, the Government announced that the leaders of the Maute Group had been killed. Despite this, martial law has continually been extended over Mindanao, with the latest extension having been approved by Congress on December 12, 2018. Voting 235-28-1, Congress also extended the suspension of the writ of habeas corpus. Mindanao will thus be under martial law for a total of over two and a half years, or from May 23, 2017 to December 31, 2019.

There can be no assurance that the Philippines will not be subject to further acts of terrorism and violence in the future. Terrorist attacks have, in the past, had a material adverse effect on investment and confidence in, and the performance of, the Philippine economy and, in turn, the Bank’s business. Any terrorist attack or violent acts arising from, and leading to, instability and unrest, could cause interruption to parts of the Bank’s businesses and materially and adversely affect the Bank’s financial conditions, results of operations and prospects.

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

The Philippines, China, and several Southeast Asian nations have been engaged in a series of longstanding territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. The Philippines maintains that its claim over the disputed territories is supported by recognized principles of international law consistent with the United Nations Convention on the Law of the Sea (“UNCLOS”). Actions taken by both governments have disrupted trade between the two countries, including a temporary ban by China on banana imports from the Philippines. China rejected the Philippine government’s request for arbitral proceedings in accordance with UNCLOS to resolve the disputes. In 2016, the Permanent Court of Arbitration ruled in favour of the Philippines and against China in relation to the ongoing disputes over islands in the West Philippine Sea. Despite this, China has categorically stated that it will not recognize said ruling. Without a formal enforcement mechanism, the territorial dispute remains unresolved.

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

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 February 2015, a Filipina nurse who arrived from Saudi Arabia tested positive for the MERS-CoV. She was quarantined, received medical treatment and later discharged and cleared of the disease by the Department of Health. All known contacts of the said nurse, including some passengers in the same flight that arrived from Saudi Arabia, were also cleared of the infection.

In March 2016, reports of an American woman who stayed in the Philippines for four weeks in January 2016, tested positive for the Zika virus upon returning home, indicating the local transmission of the disease through the *Aedes aegypti* mosquito. In May 2016, a South Korean national was reported to have acquired the infection while visiting the Philippines, following earlier reports of two other confirmed cases of the viral infection in the country. All of the patients had recovered, indicating that the Zika viral infection acquired in the country was self-limiting.

The outbreak of an infectious disease in the Philippines, Asia or elsewhere, together with any resulting restriction on travel and/or imposition of quarantines, could have a negative impact on the economy and business activities in the Philippines or Asia generally and could therefore 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 the principal objective of the Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about the Philippine public companies, than is regularly made available by public companies in the U.S. and other developed countries. As a result, Bondholders 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 SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions. For example, the Securities Regulation Code of the Philippines ("SRC") requires the Bank to have at least two independent directors or such number of independent directors as is equal to 20.0% of the Board, whichever is the lower number. Many other jurisdictions may require more independent directors. The Bank currently has five independent directors, representing 45.45% of the Board.

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 shareholder interests may be less well-defined and enforced in the Philippines than elsewhere, putting shareholders at a potential disadvantage. Because of this, the directors of Philippine companies may be more likely to have interests that conflict with the interests of shareholders generally, which may result in them taking actions that are contrary to the interests of shareholders.

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

The sovereign credit ratings of the Philippines directly affect companies residing in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. In 2013, the Philippines earned investment grade status from all three major credit ratings agencies – Fitch (BBB-), Standard and Poor's (BBB-), and Moody's (Baa3). In 2014, S&P and Moody's upgraded their ratings to "BBB" and "Baa2" in May and December, respectively, with both agencies affirming these ratings in 2018. In December 2017, Fitch upgraded the country's credit rating to "BBB-" with stable outlook, thus aligning the country's ratings with those of Moody's and S&P's at a notch above investment grade. These ratings are the highest that the country has received so far from any credit ratings agency.

With investment grade status from three credit rating agencies, the Philippines is now eligible to be part of investment grade indices. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. The ratings of the Government directly affect companies residing in the Philippines, as international credit rating agencies issue credit ratings by reference to that of the sovereign.

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

Ongoing volatility experienced in the international capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants

The ongoing volatility experienced in the international capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction of available financing. Companies located in countries in the emerging markets may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention in one market) could affect the price or availability of funding for entities within any of these markets.

Considerations Relating to the Philippine Banking Industry

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

The Bank is subject to significant levels of competition from many other Philippine banks and branches of international banks, including, in some instances, competitors that have greater financial and other capital resources, greater market share, and greater brand name recognition than the Bank. The banking industry in the Philippines is a mature market that has, in recent years, been subject to consolidation and liberalization, including liberalization of foreign ownership restrictions.

The recent mergers and consolidations in the banking industry, as well as the liberalization 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 of December 31, 2018, according to BSP, there were a total of 46 universal and commercial (both local and foreign) banks in the Philippines.

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

- other large Philippine banking and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- full entry of foreign banks in the country through any of the following modes allowed under Republic Act No. 10641 (approved on July 15, 2014): a) the acquisition, purchase, or ownership of up to one hundred per cent (100%) of the voting stock of an existing bank; b) investment in up to one hundred per cent (100%) of the voting stock of a new banking subsidiary incorporated under Philippine law; or c) establishment of branches with full banking authority;
- foreign banks, due to, among other things, relaxed foreign bank ownership standards permitting large foreign banks to expand their branch network through acquiring domestic banks;
- domestic banks entering into strategic alliances with foreign banks with significant financial and management resources; and

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

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

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

The Philippine banking sector has recovered from the global economic crisis. However, 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 domestic economic conditions, 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.

The Bank may have to comply with strict regulations and guidelines issued by the banking regulatory authorities in the Philippines, including the BSP, the BIR, and international bodies, including the FATF.

The Bank's banking interests are regulated and supervised principally by, and reports obligations to, the BSP. The Bank is also subject to the banking, corporate, taxation, and other regulations and laws in effect in the Philippines, administered by agencies such as the Bureau of Internal Revenue of the Philippines (the "BIR") and the Anti-Money Laundering Council ("AMLC"), as well as international bodies such as the Financial Action Task Force.

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 added transparency in the Philippine banking sector. Rules governing banks' capital adequacy and reserve requirements, ceilings on loans to subsidiaries and affiliates, as well as limits on the amount of loans, credit accommodations, and guarantees to a single borrower have also evolved over the years. Guidelines on the monitoring and reporting of suspected money laundering activities as well as regulations governing the capital adequacy of the Philippine banks have also been implemented to ensure the prevention of fraud and other anomalous activities, but adherence to these regulations impose added costs to the Bank. Institutions that are subject to the AMLA are required to establish and record the identities of their clients based on official documents. In addition, under the AMLA regulations, all records of customer identification and transactions documents are required to be maintained and stored for a minimum of ten years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure. The AMLA regulations also require covered institutions to report covered and suspicious transactions as defined under the relevant law.

The BSP has also recently ordered universal, commercial, and thrift banks to conduct Real Estate Stress Tests to determine whether their capital is sufficient to absorb a severe shock. The Real Estate Stress Test Limit ("REST Limit") combines a macroprudential overlay of a severe stress test scenario, the principle of loss absorbency through minimum capital ratio thresholds, and heightened supervisory response. Should a bank fail to comply with the prescribed REST Limits, it shall be directed to explain why its exposures do not warrant immediate remedial action. Should the same be found insufficient, the bank shall be required to submit an action plan to meet the REST Limits within a reasonable time frame.

The BIR has also promulgated rules on the submission of an Alphabetical List of portfolio investors receiving income payments and dividends. The BIR requires all withholding agents to submit an Alphabetical List of payees on income payments subject to creditable and withholding taxes and prohibits the lumping into a single amount and account of various income payments and taxes withheld. The Supreme Court of the Philippines, however, issued a temporary restraining order against the said BIR rule last September 9, 2014 with regard to the lumping into a single amount.

In the event of any changes to the existing guidelines or rules or introduction of additional regulations, the Group, as far as applicable, will have to comply with the same and may incur substantial compliance and monitoring costs. The

Bank's failure to comply with current or future regulations and guidelines issued by regulatory authorities in the Philippines and in other relevant jurisdictions could have a material adverse effect on the Bank's business, financial condition, and results of operations.

The Bank may experience difficulties due to the implementation of Basel III in the Philippines.

In December 2010, a new update to the Basel Accords, known as Basel III, was issued by the Basel Committee on Banking Supervision ("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. The BSP adopted Basel III on January 1, 2014 with higher limits and stricter minimum requirements for regulatory capital relative to international standards and with no phase-in period.

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 until January 2019, as well as increased minimum capital requirements for banks in all categories. Local banks also face additional liquidity requirements 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 July 1, 2016 until the end of 2017, during which banks were required to commence reporting their LCR to the BSP. Effective January 1, 2018, the LCR threshold that banks are required to meet is 90%, which increased to 100% commencing on January 1, 2019.

Meanwhile, the Monetary Board has issued the implementing guidelines, template, and details on the submission of the NSFR report. Per the BSP, the observation period runs from July 1, 2018 to December 31, 2018, with actual implementation at 100% beginning January 1, 2019. The NSFR requires that bank's assets and activities should be structurally funded with long-term and more stable funding sources.

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 July 1, 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 Ratio and the 10% CAR.

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 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 shall take effect immediately.

On 6 June 2018, the BSP issued Circular No. 1007, which imposed an NSFR framework on all universal and commercial banks, including their subsidiary banks and quasi-banks, on both a 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, defined as available stable funding divided by required stable funding, of at least 100% at all times. This must be reported in a single currency. Actual implementation began on January 1, 2019.

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 current 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 January 1, 2022, except for the capital floor which shall be phased in over five years (i.e., 50% effective January 1, 2022, and gradually increased to "fully loaded" 72.5% beginning January 1, 2027). The BSP has not set any timetable for implementation for Philippine banks, thus the impact remains uncertain.

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 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 Group's business, financial condition, and results of operations.

Although intended to strengthen banks' capital positions and thwart potential asset bubbles, the BSP and Monetary Board regulations add pressure on local banks to meet these additional capital adequacy requirements. This 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.

The Philippine banking industry faces higher credit risks and greater market volatility than that of other more developed markets.

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 severe global downturn as this impacts the export sector, employment in export-oriented industries, and OFW remittances;

- the large foreign debt of the Philippine government and the corporate sector, relative to the gross domestic product (“GDP”) of the Philippines; and
- volatility of interest rates and U.S. dollar/Philippine peso exchange rates.

Higher credit risk has a material adverse effect on the quality of loan portfolios, which exposes Philippine banks, including the Bank, to more potential losses and higher risks than banks in 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 BSP, the average NPL ratios exclusive of interbank loans in the Philippine universal and commercial banking industry were 1.4%, 1.3%, and 1.55% at the years ended December 31, 2016, 2017, and 2018 respectively.

The Bank’s ability to assess, monitor, and manage risks inherent in its business differs from the standards of its counterparts in more developed countries.

The Bank is 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 in the future, 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.

However, BSP’s early adoption of Basel III on January 1, 2014, a year ahead of the Basel Committee on Banking Supervision’s recommended implementation timeline, as well as the imposition of higher limits and stricter minimum requirements for regulatory capital, relative to international standards, are seen as efforts to further boost the Philippine banking industry’s resiliency and enhance its ability to absorb risks. In addition the BSP has been prudent and conservative in setting the minimum reserve requirement compared to other regulators in the region, with a minimum reserve requirement for Peso deposit balances of 16.0% to be held with the BSP (compared to, for example, Indonesia, where the minimum local currency reserve requirement is 6.5% of local currency deposit balances).

An increase in interest rates could decrease the value of the Bank’s securities portfolio and raise the Bank’s funding costs.

Domestic interest rates have remained low since 2009, with the monetary policy directed towards stimulating the economy. In 2018, however, domestic interest rates started trekking upward following the BSP’s staggered 175 basis point hike in policy rates to subdue inflationary pressures from higher taxes under TRAIN (implemented in January 2018), rising global oil prices, an acute rice shortage and a weaker peso.

The Bank realizes 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 minimize 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, lower levels of liquidity in the system may lead to an increase in the cost of funding as banks actively compete for funds by raising the interest rates they charge on deposits. Banks with strong deposit franchise and large low-cost deposit base are better equipped amid tighter liquidity and increasing funding costs.

Any future changes in PFRS may affect the financial reporting of the Bank

The following PFRS and interpretations will become effective beginning on or after January 1, 2019:

PFRS 16, Leases. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with terms of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. Entities may adopt PFRS 16 earlier but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group adopted PFRS 16 using the modified retrospective approach with the date of initial application at January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group did not restate comparative figures and recognized a lease liability and right-of-use assets at the date of initial application for lease previously classified as an operating lease applying PAS 17. The Group measured the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group measured the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application. Accordingly, the adoption of PFRS 16 has no impact to the Group's 'Surplus' as of January 1, 2019 and the 2018 comparative financial statements are not comparable to the information presented for 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') and lease contracts for which the underlying asset is of low value ('low-value assets'), except for office/building, parking and ATM spaces).

The impact of PFRS 16 adoption in the unaudited interim consolidated statement of financial position as of January 1, 2019 follow:

	Increase/ (Decrease)
ASSETS	
Right-of-use (ROU) of assets	P668,087,253
Prepaid expenses – rent	(24,334,528)
	<u>643,752,725</u>
LIABILITIES	
Lease liability	687,139,251
Accrued expenses – rent	(43,386,526)
	<u>P643,752,725</u>

Lessor accounting under PFRS 16 is substantially unchanged from PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 has no material impact for leases where the Group is the lessor.

Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatment. The Philippine Interpretation IFRIC 23 ("IFRIC 23 Interpretation") addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, Income Taxes. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The IFRI 23 Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

Upon adoption of the IFRIC 23 Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that, based on its tax compliance, it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The IFRIC 23 Interpretation did not have an impact on the unaudited interim condensed consolidated financial statements of the Group.

There can be no assurance as to the implementation of new accounting standards in the Philippines and the significance of the impact it may have on the Bank's financial statements in the future.

Considerations relating to the Bank

Different risks and challenges can adversely affect the Bank's successful implementation of its growth strategy.

Over the next three years, the Bank is targeting to increase its commercial loans business by more than 90% and more than double the consumer loans portfolio. In addition, the Bank is planning to diversify into new products and services beginning with bancassurance and credit card business and to accelerate digitization to support new digital products for mobile and online applications. The Bank is also aiming to increase its branch network, to reach greater market coverage by expanding its branch and ATM network.

The Bank's ability to implement its growth strategy is subject to some risks and challenges including among others, the following:

- (i) The business activities for the growth strategy may require knowledge and expertise which differ from those available in the current business operations of the Bank, including different management skills, risk management procedures, guidelines and systems, credit risk evaluation, monitoring, and recovery procedures;
- (ii) The competitors of the Bank may have substantially greater experience and resources for the new business activities and as such, the Bank might have a difficult time penetrating these business lines;
- (iii) Economic and political conditions, such as rising interest rates or inflation or political instability, could prevent the Bank from executing and achieving its expansion targets, particularly in the area of consumer loan; and
- (iv) Execution of new and expanded business activities may not be as successful as the Bank envisions, and there is no assurance that these business activities will indeed become profitable at the level the Bank desires.

The Bank's inability to successfully implement its business strategy could materially and adversely affect the Bank's business, financial condition, and results of operations.

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

As of June 30, 2019, Robinsons Bank's total exposure to borrowers amounted to ₱71.48 billion. The ten largest borrower groups in aggregate accounted for 25.22% of Robinsons Bank's total loan portfolio. The Bank has a concentration of credit exposure to certain industry sectors. The BSP generally prohibits any bank from maintaining a financial exposure to any single person or group of connected persons in excess of 25% of its net worth, with net worth defined in the Manual of Regulations for Banks as the total of the unimpaired paid-in capital including paid-in surplus, retained earnings and undivided profit, net of unbooked valuation reserves and other adjustments as may be required by the BSP. Robinsons Bank is committed to ensure strict compliance with laws, regulations, and reporting requirements relating to single borrower limits. The largest borrower group as of June 30, 2019 accounted for 4.03%

of the Bank's total exposure. Credit losses on these large single borrower and group exposures could adversely affect the business, financial condition, and results of operations of Robinsons Bank.

The Bank will face increased exposure to consumer debt that could result in increasing levels of NPLs, provisions for impairment losses, and delinquencies in its credit card portfolio, which may adversely affect its business, financial condition, results of operations, and capital adequacy.

The Bank intends to more than double its consumer loan portfolio over the next three years. Furthermore, the Bank recently launched its credit card business as part of its strategy to continue to expand its consumer loan operations. Such expansion plans will increase the Bank's exposure to consumer debt while the volatile economic conditions in the Philippines may adversely affect the future ability of the Bank's borrowers, including credit card holders, to meet their obligations under their indebtedness. Thus, the Bank may experience significant levels of non-performing loans and provisions for impairment losses in the future.

Any fraud or other misconduct committed by the employees or outsiders may negatively affect the business, reputation and prospects of the Bank.

Despite the rules and regulations and internal procedures put in place by the Bank to detect and prevent any illegal or fraudulent activities, there is no assurance that acts of fraud and misconduct will not be committed by its employees or outsiders. Such events may negatively affect the Bank's business, reputation, and prospects, and as a result, adversely affect the income of the Bank.

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, fees, or other limitations placed on the Bank's 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 effectively controlled by the JG Summit Group and its interests may differ significantly from the interests of the Bondholders.

As of June 30, 2019, the Bank is 60.0% owned by JGSCSC and 40.0% owned by RRHI. There can be no assurance that the companies and persons affiliated/associated with the JG Summit Group will not exercise their control and influence the Bank for their benefit. There is no assurance that the interests of the JG Summit Group will necessarily coincide with the interests of the Bondholders.

In addition, if there is any public perception in the Philippines that the Bank is reliant on the financial condition of the JG Summit 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 JG Summit 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.

The Bank's trading and security gains, as a result of its treasury operations, are subject to market conditions.

Trading gains generated by the Bank's treasury operations through the trading of securities constitute an important portion of the Bank's income. Trading and securities gain – net comprised 5.5%, 5.3%, and 0.4% of operating income for the years ended December 31, 2016, 2017, and 2018 respectively. 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 and may therefore fluctuate from time to time. There is no assurance that the Bank can consistently realize the gains it has enjoyed historically and depending on market developments, may incur losses from such trading activities. As a result, these losses could materially impact the overall income of the Bank.

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

The information and technology system of the Bank uses hardware and software which are vulnerable to interruption due 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.

Although the Bank has risk management systems in place for disaster recovery and employs security systems such as password encryptions for limited authorized access to these systems, any disruption due to problems in the information technology system of the Bank can cause adverse financial effect to the Bank.

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 condition, and results of operations. In addition, costs to maintain such risk and security measures could increase significantly and thus will affect the income of the Bank.

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

As of June 30, 2019, the Bank's secured loans represented 48.5% of the Bank's total gross customer loans, and 44.6% of the collateral on these secured loans consisted of real estate properties. However, 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 realized 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 value of the collateral. In certain instances, where there are no purchasers for a particular type of collateral, there may be significant difficulties in disposing of such collateral at a reasonable price. Any decline in the value of the collateral securing the Bank's loans, including with respect to any future collateral taken by the Bank, would mean that its provisions for credit losses may be inadequate such that the Bank may need to increase such provisions. Any increase in the Bank's provisions for credit losses could adversely affect its business, its financial condition, results of operations and capital adequacy ratio.

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

The Bank is subject to interest rate risk.

The Bank realizes income from the margin between interest-earning assets and interest paid on interest-bearing liabilities. 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 to be passed on to customers, then such increased rates may make loans less attractive to potential customers, which may result in reduction in customer volume, hence may impact operating revenues. In a decreasing interest rate environment, potential competitors may enter the market 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 relies on certain key personnel and the loss of any such key personnel or the inability to attract and retain them may negatively affect its business.

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

The Bank has a Succession Management Plan in place that is presented every year to the President and the Chairman of the Board. The annual exercise reviews and assesses talents up to three downlines from the President. These are the key positions considered critical in the continuity of the business and operations of the Bank and have impact on the financial conditions.

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

Although the Bank is currently not involved in any material litigation, it may be implicated in material lawsuits in the future. Litigation could result in substantial costs. Also, there can be no assurance that the results of such legal proceedings will not materially harm the Bank's business, reputation, or standing in the market, or that the Bank will be able to recover any losses incurred from third parties, regardless of whether the Bank is at fault.

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

The Bank has some 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 estate 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 favorable macroeconomic conditions, increasing home ownership in the Philippines and strong demand from families of 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.

The Bank recorded net ROPA of ₱317.91 million as of June 30, 2019, representing 0.26% of the Bank's total resources. In prior years, the Bank had ₱285.43 million, ₱284.51 million, and ₱341.07 million as of December 31, 2016, 2017 and 2018, respectively, representing 0.37%, 0.27% and 0.28% of the Bank's total resources as of 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, and given the Bank's significant amount of ROPA, it may take a number of years before the Bank is able to realize 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.

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 the 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.

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 the 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 in the PDEX, all transfers of the Bonds must be made through the 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 Bond 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.

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.

The credit ratings assigned to the Bank or the Bonds may not be maintained in the future

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The 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 assigning rating organization.

Taxation of the Bonds

The Tax Code 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 30% 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. “Foreign Account Tax Compliance Act” (or “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 July 13, 2015, the Intergovernmental Agreement (“IGA”) Model 1 was signed and executed by the Philippines and the United States. As a Reporting Model 1 participating foreign financial institution (“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 Bureau of Internal Revenue 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.

TERMS AND CONDITIONS OF THE BONDS

These Peso-Denominated Fixed Rate Bonds with a principal amount of ₱[●] are being issued by Robinsons Bank Corporation (the “Bank” or “Issuer”) 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, 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. [The Bonds were authorized pursuant to a resolution of the Board of Directors of the Bank dated April 29, 2019] and are covered by a Trust Agreement dated [●] made between the Bank and BDO Unibank, Inc. – Trust and Investments Group (the “Trustee” which expression shall wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Agreement). The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Agreement. A Registry and Paying Agency Agreement dated on or about [●] has been entered into in relation to the Bonds between the Bank and Philippine Depository & Trust Corp. as paying agent and registrar (hereinafter referred to as “PDTC”, or in its capacity as registrar, the “Registrar”, or in its capacity as paying agent, the “Paying Agent”). References to a “Condition” are to conditions as respectively numbered and set forth herein.

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;
	“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;
	“APPLICABLE LAW”	means the relevant laws of the Republic of the Philippines;
	“AUDITOR”	means SyCip Gorres Velayo & Co.;
	“BANK”	means Robinsons Bank Corporation, 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;
	“BOND 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;
	“BONDHOLDER(S)”	means a person who, at any relevant time, appears in the Bond Registry as the registered owner of the Bonds;
	“BONDS”	means the bonds to be issued by the Bank, represented by a Bond Certificate, and subject to the Governing Regulations and these Terms and Conditions;
	“BSP”	means the Bangko Sentral ng Pilipinas;

<i>“BUSINESS DAY”</i>	means any day (other than a Saturday or Sunday or a public holiday) on which commercial banks and foreign exchange markets are open for business in Makati City and Quezon City, Metro Manila. All other days not otherwise specified in these Terms and Conditions shall mean calendar days;
<i>“CONTRACTS”</i>	means: (a) the Underwriting Agreement in the agreed form between the Bank, the Sole Issue Manager, Bookrunner and Underwriter, and the Selling Agents; (b) the Registry and Paying Agency Agreement in the agreed form between the Bank and the Registrar and Paying Agent; (c) the Trust Agreement between the Bank and the Trustee; (d) these Terms and Conditions; and (e) such other separate letters or agreements covering conditions precedent, fees, expenses and other obligations of the parties, including amendments or accessions thereto;
<i>“CONTROL”</i>	means the possession (whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise) of the power to appoint and/or remove all or the majority of the members of the board of directors or otherwise controls or has the power to control the affairs and policies of the Bank;
<i>“EVENT OF DEFAULT”</i>	means an event specified as such under Condition 22 hereof;
<i>“GOVERNING REGULATIONS”</i>	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, and any other circulars and regulations as may be relevant for the transaction, as these may be amended from time to time;
<i>“GROUP”</i>	means the Bank and its wholly owned subsidiary, Legazpi Savings Bank, Inc., taken as a whole, and each of them being a member of the Group;
<i>“INTEREST”</i>	means the interest payable on the Bonds at the Interest Rate set out in these Terms and Conditions;
<i>“INTEREST PAYMENT DATE”</i>	starting on [•] for the First Interest Payment Date and for each succeeding Interest Payment Date [•],[•],[•], and [•] of each year up while the Bonds are outstanding to but excluding the Maturity Date, or the next Business Day if such date is not a Business Day, without adjustment to the amount of Interest to be paid, in accordance with the Terms and Conditions. Interest shall be computed based on the outstanding balance of the Bonds;
<i>“INTEREST RATE”</i>	means [•]% per annum, payable in arrears on each Interest Payment Date;
<i>“ISSUE DATE”</i>	means [•].
<i>“ISSUE PRICE”</i>	at par or 100% of face value;
<i>“JG SUMMIT GROUP”</i>	means JG Summit Holdings Inc., its subsidiaries affiliates and entities controlled by the JG Summit Holdings Inc., taken as a whole, and each of them being a member of the Group;
<i>“MAJORITY BONDHOLDERS”</i>	means the holders of more than fifty percent (50%) of the principal amount of the Bonds then outstanding;
<i>“MATURITY DATE”</i>	means [•];
<i>“MATURITY VALUE”</i>	means the Issue Price plus unpaid and accrued Interest, up to but excluding the Maturity Date;

<i>“OFFERING CIRCULAR”</i>	means the relevant offering circular (including, for the avoidance of doubt, the consolidated financial statements of the Bank included therein) in preliminary and final forms in respect of the Bonds (the final form being dated as of the Issue Date), and all amendments, supplements and addenda thereto;
<i>“PDEx” OR THE “EXCHANGE”</i>	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;
<i>“PDEX RULES”</i>	means the PDEx Rules for the Fixed Income Securities Market and all its amendments, effective at the relevant time;
<i>“PDEX TRADING PARTICIPANT”</i>	means any person or legal entity qualified to trade on the PDEx Trading System pursuant to the PDEx Rules;
<i>“PROHIBITED BONDHOLDER”</i>	means: <ul style="list-style-type: none"> (1) the Issuer or any related party over which the Issuer exercises control or significant influence including subsidiaries and affiliates of the Issuer, as well as the subsidiaries and affiliates of the Issuer’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 Issuer 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;
<i>“PSE”</i>	means The Philippine Stock Exchange, Inc.;
<i>“REGISTRAR” OR “PAYING AGENT”</i>	means the Philippine Depository & Trust Corp. (“PDTC”), a domestic corporation duly registered and licensed as a registrar and paying agent;

“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 Bond Registry, and setting forth the declarations required by the BSP;
“SEC”	means the Philippine Securities and Exchange Commission, including all its offices and departments, and its successor agency/ies;
“SELLING AGENTS”	means Robinsons Bank Corporation, [•], BDO Capital & Investment Corporation, and [•];
“SOLE ISSUE MANAGER, BOOKRUNNER AND UNDERWRITER”	means BDO Capital & Investment Corporation;
“TERMS AND CONDITIONS”	mean these terms and conditions pertaining to the Bonds as may be amended from time to time;
“TRANSFER”	means the transfer, assignment, or any transaction resulting in change in ownership of, or title to, the Bonds;
“TRUST AGREEMENT”	means the trust agreement in the agreed form between the Issuer and the Trustee, as may be amended or supplemented from time to time;
“TRUSTEE”	means BDO Unibank, Inc. – Trust and Investments Group as appointed by the Issuer in accordance with the Trust Agreement, a corporation organized and existing pursuant to the laws of the Philippines, duly authorized to perform trust and other fiduciary businesses, with principal office address at 15 th floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City;
“REGISTRY AND PAYING AGENCY AGREEMENT”	means the registry and paying agency agreement in the agreed form between the Issuer and the Registrar and Paying Agent, as may be amended or supplemented from time to time;
“UNDERWRITING AGREEMENT”	means the underwriting agreement in the agreed form among the Bank, the Sole Issue Manager, Bookrunner and Underwriter, and Selling Agents, as may be amended or supplemented from time to time;

2	PURPOSE OF ISSUANCE/USE OF PROCEEDS	The net proceeds from the issuance will be used to primarily support and finance the Bank’s lending activities. The Offer will also allow the Bank to diversify funding sources, optimize funds deployment, and sustain proper management of the liquidity ratios.
3	FORM	The Bonds shall be issued in scripless form. A Bond Certificate representing the Bonds shall be issued to, deposited with, and registered in the name of the Trustee, on behalf of and in trust for the Bondholders, with a copy to be lodged with the Registrar.
4	DENOMINATION	The Bonds will be offered and sold in minimum principal amounts of ₱50,000.00, and in integral multiples of ₱10,000.00 in excess thereof. The Bonds will be traded in denominations of ₱10,000.00 on the secondary market.
5	TITLE	Title to the Bonds shall be indicated in the Bond 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	<p>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.</p> <p>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.</p>
7	ELIGIBLE BONDHOLDERS	<p>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.</p>
8	QUALIFICATION DETERMINATION	<p>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.</p> <p>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.</p>
9	INTEREST ACCRUAL AND PAYMENT	<p>The Bonds will bear Interest on its principal from and including the Issue Date up to but excluding: (a) the Maturity Date (if not earlier redeemed under Conditions 27 or 28); or (b) the redemption date (if redeemed pursuant to Conditions 27 or 28).</p> <p>Interest shall be payable on each Interest Payment Date. The amount of Interest payable in respect of the Bonds shall be calculated by the Paying Agent on the basis of the number of days elapsed from (and including) the Issue Date (for the first interest period) or the last Interest Payment Date (for succeeding interest periods) to the next (but excluding) the next Interest Payment Date, using a 30/360 calendar-day count.</p> <p>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.</p>
10	MANNER OF PAYMENT OF INTEREST AND PRINCIPAL	<p>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 for disbursement to the Bondholders as shown in the Bond Registry to be maintained by the Registrar.</p>
11	PRINCIPAL REPAYMENT	<p>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.</p>
12	FINAL REDEMPTION	<p>All Bonds outstanding on Maturity Date will be redeemed at par or 100% of face value.</p>
13	PRETERMINATION BY THE BONDHOLDER	<p>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. 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.</p>

14 SECONDARY TRADING Unless otherwise prohibited under the PDEX Rules, 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 of P10,000.00. 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 Bond 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 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 within which such Transfer occurred. For purposes hereof, "tax categories" refer to the four (4) final withholding tax categories covering, particularly, tax-exempt entities, 20% tax-withheld entities, 25% tax-withheld entities, and 30% tax-withheld entities. This

		restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented.
16	PLACE OF BOND REGISTRY AND COMPLIANCE WITH REGISTRY RULES	<p>The Bond Registry shall be kept at the specified office of the Registrar.</p> <p>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.</p>
17	CLOSING OF BOND REGISTRY	<p>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.</p>
18	STATUS AND RANKING	<p>The Bonds shall constitute the direct, unconditional, unsecured and unsubordinated peso-denominated obligations of the Bank and will at all times rank <i>pari passu</i> 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 mandatorily preferred by the law.</p>
19	MANNER OF DISTRIBUTION	Retail and Institutional Offering

The Bank hereby represents and warrants to the Bonds Holders, 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 otherwise 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;
 - (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 Registry and Paying Agency Agreement, 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 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;
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- (i) 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;
 - (j) the execution and delivery of the Contracts, the issue 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;
 - (k) (i) the Offering Circular contains all information with respect to the Group and to the Bonds which is material in the context of the issue and offering 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 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 and offering 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;
 - (l) 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;
 - (m) 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
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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;

- (n) there are no outstanding guarantees or contingent payment obligations of the Bank in respect of indebtedness of third parties except as 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;
- (o) 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;
- (p) 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;
- (q) the Auditors are independent with respect to the Group within the meaning of the Code of Ethics for Professional Accountants in the Philippines adopted by the Philippine Board of Accountancy and approved by the Professional Regulation Commission;
- (r) 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;
- (s) 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 as described in the Offering Circular; (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;

- (t) except as specifically described in the Offering Circular, the Bank and its subsidiary 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 unfavourable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would reasonably be expected to result in an Adverse Effect;
- (u) 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;
- (v) 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;
- (w) 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; and
- (x) 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 realise 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.

These representations and warranties are true and correct as of the Issue Date and shall be deemed repeated with reference to the facts and circumstances then existing on each Interest Payment Date.

The Bank hereby covenants and agrees that, from Issue Date and until payment in full and performance of all its obligations under the Bonds:

- (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, and accordingly, shall secure all necessary corporate and government approvals, and perform all necessary acts, for the renewal and extension of its corporate term, on or prior to the expiry thereof;
 - (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) The Bank shall not permit a material change in its direct and indirect ownership: Provided, however, that the material change referred to herein shall not include: (i) change required by Applicable Law; (ii) change which does not result in JG Summit Group losing Control over the Bank; or (iii) any direct or indirect transfers of ownership over the Issuer's shares or any reorganization within the JG Summit Group. 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;
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- (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 fully, timely and unconditionally comply with all other terms and conditions imposed by the BSP regarding the issuance of the Bonds;
 - (m) It shall use the net proceeds from the Bonds in accordance with the purpose of issuance provided in the Offering Circular;
 - (n) 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, in accordance with these Terms and Conditions; and
 - (o) It shall from the signing date of the Trust Agreement and for as long as the Bonds or any portion thereof remain outstanding, not to create, issue, assume, guarantee, or otherwise incur any bond, note, debenture, or similar security which shall be or purport to be unsecured and unsubordinated obligations of the Bank, unless such obligations rank pari passu with, or junior to, the Bank's obligations under the Bonds in any proceedings in respect of the Bank for insolvency, winding up, liquidation, receivership, or other similar proceedings.

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.

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 (“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 fifteen (15) calendar days from notice to the Bank;
 - (d) The Bank violates any term or condition of any contract, bond, note, debenture, or similar security executed by the Bank with any other bank, financial institution, or other person, corporation, or entity in respect of borrowed moneys in aggregate amount exceeding Five Hundred Million Pesos (₱500,000,000.00) or its equivalent, which is irremediable or, if remediable, is not remedied by the Bank within ten (10) calendar days from such failure, and will adversely and materially affect performance by the Bank of its obligations under the Bonds and pay any amount outstanding on the Bonds;
 - (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 voluntary petition in any bankruptcy, reorganization, winding-up, suspension of payment, liquidation, or other analogous proceeding; (ii) making of an assignment for the benefit of its creditors of all or substantially all of its properties; (iii) admission in writing of its inability to pay its debts; or (iv) 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 PHP500,000,000.00 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;
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- (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

If any one or more of the Events of Default shall have occurred and be continuing after any applicable cure period shall have lapsed as provided in the Trust Agreement, the Trustee may on its own, or, upon the written direction of the Majority Bondholders, shall by written notice to the Bank, with a copy furnished the Registrar and the Paying Agent, stating the Event of Default relied upon, declare the Bank in default in respect of the Bonds and require the principal amount of the Bonds, and all accrued interests (including any default interest) and other charges due thereon, to be immediately due and payable, and forthwith collect said outstanding principal, accrued interests (including any default interest) and other charges, without prejudice to any other remedies which the Trustee or the Bondholders 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 thereon, which shall accrue from the date the amounts payable under these Terms and Conditions became due until the same is fully paid.

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 30%.

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;

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- (b) Gross Receipts Tax under Section 121 and 122 of the Tax Code;
 - (c) taxes on the overall income of the Sole Issue Manager, Bookrunner and Underwriter, a 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 this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;
 - 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 – (i) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief (“CORTT”) Form prescribed under Revenue Memorandum Order No. 8-2017), and (ii) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)); and
 - Any other document that the Bank or PDTC may require from time to time.

In addition, upon the request of the Sole Issue Manager, Bookrunner and Underwriter, Selling Agent, the Bank or the Registrar, the Bondholder shall submit an updated Part II (A), (B), (C) and (D) of the CORTT Form.

Only the originals should be submitted to the Sole Issue Manager, Bookrunner and Underwriter, 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 Bond Registry 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	<p>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.</p> <p>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.</p>
29 REPLACEMENT REGISTRY CONFIRMATIONS	<p>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.</p>
30 CHANGE OF TRUSTEE BY THE BONDHOLDERS	<p>(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.</p> <p>(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.</p>
31 REPORTS TO THE BONDHOLDERS	<p>(a) The Trustee shall, but only upon the existence of either (i) and (ii) below, submit to the Bondholders within 150 days from the end 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:</p>

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- (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 which shall be based on the report to be given by the Paying Agent to the Trustee; 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) Registry and Paying Agency Agreement
 - (3) Articles of Incorporation and By-Laws of the Bank
 - (4) Copies of the Bank's most recent audited financial statements; and
 - (5) A copy of the Offering Circular together with any supplement to the Offering Circular.

32 MEETINGS OF THE BONDHOLDERS

A meeting of the Bondholders 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 unjustified failure to call a meeting be attributable to the willful misconduct, fraud evident bad faith or gross negligence 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
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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 34.

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:

ROBINSONS BANK CORPORATION

17th Floor, Galleria Corporate Center

EDSA corner Ortigas Avenue, Quezon City
Metro Manila, Philippines

Telephone no.: (63) 2 7029536 / 7029535

Fax no.: (63) 2 70559567 / 9573

E-mail: gina.lumain@robinsonsbank.com.ph;
binggay.sanchez@robinsonsbank.com.ph

Attention: Ma. Regina N. Lumain
Executive Vice President & Treasurer
Maria Teresa P. Sanchez
Senior Vice President

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

PHILIPPINE DEPOSITORY & TRUST CORP.

29th Floor BDO Equitable Tower,

Paseo de Roxas,

Makati City, Metro Manila

Philippines

Telephone no.: (632) 8844425

Fax no.: (632) 8845099

E-mail: baby_delacruz@pds.com.ph

peachy.garcia@pds.com.ph

Attention: Josephine Dela Cruz

Director – Securities Services

Patricia Camille Garcia

Registry Officer

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

BDO UNIBANK, INC. – TRUST AND INVESTMENTS GROUP

15th Floor, BDO South Tower, BDO Corporate Center

7899 Makati Avenue, Makati City

Telephone no.: (632) 878 4237

Fax no.: (63) 878 4270

E-mail: rcm@bdo.com.ph

Attention: Michael G. Munsayac

Vice President

Rachelle Ann C. Mendoza

Assistant Vice President

and in the case of notices to the Sole Issue Manager, Bookrunner and Underwriter, to it at:

BDO CAPITAL & INVESTMENT CORPORATION

20th Floor, BDO South Tower, BDO Corporate Center

7899 Makati Avenue, Makati City

Telephone no.: (63) 2 840-7844

Fax no.: (63) 2 878-4553

E-mail: quimpo.jose@bdo.com.ph

Attention: Jose Eduardo A. Quimpo II

First Vice President

And in the case of notices to the Bondholders, through publication in two (2) newspapers of general circulation in Metro Manila 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.

USE OF PROCEEDS

The net proceeds from the issuance will be used to primarily support and finance the Bank's lending activities. The Offer will also allow the Bank to diversify funding sources, optimize funds deployment, and sustain proper management of the liquidity ratios.

SELECTED FINANCIAL INFORMATION

The following tables present selected consolidated financial information of the Bank and its subsidiary and should be read in conjunction with the consolidated financial statements and the related notes included elsewhere in this Offering Circular. The selected financial information presented have been derived from the Bank's audited consolidated financial statements as of and for the years ended December 31, 2016, 2017, and 2018 prepared in accordance with PFRS and audited in accordance with Philippine Standards on Auditing, and unaudited interim condensed consolidated financial statements as of June 30, 2019 and for the six months ended June 30, 2019 and 2018, prepared in accordance with PAS 34 Interim Financial Reporting and reviewed by SGV & Company in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (PSRE 2410). 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

(in ₱)	For the years ended December 31			For the six months ended June 30 (Unaudited)	
	2016	2017	2018	2018	2019
Interest Income					
Loans and receivables	2,328,160,821	3,192,169,144	4,566,977,784	2,041,772,443	2,893,200,865
Investment Securities	527,384,047	721,960,970	1,071,783,404	501,168,499	584,680,228
Due from BSP and other banks	136,143,153	60,018,293	40,306,233	19,766,952	18,794,797
Interbank loans receivable / Securities purchased under resale agreements	77,736,861	135,331,909	82,553,113	43,909,696	35,839,993
	3,069,424,882	4,109,480,316	5,761,620,534	2,606,617,590	3,532,515,883
Interest Expense					
Deposit Liabilities	648,863,123	1,125,520,351	2,071,202,108	882,607,866	1,454,452,986
Bills Payable	–	1,307,247	116,297,263	24,728,818	173,493,298
Lease Liability	–	–	–	–	26,633,961
	648,863,123	1,126,827,598	2,187,499,371	907,336,684	1,654,580,245
Net Interest Income	2,420,561,759	2,982,652,718	3,574,121,163	1,699,280,906	1,877,935,638
Service fees and commission income	174,216,102	181,649,418	352,463,888	113,107,003	218,742,694
Service fees and commission expense	57,568,832	56,886,421	87,781,728	20,867,276	79,274,654
Net Service Fee and Commission Income	116,647,270	124,762,997	264,682,160	92,239,727	139,468,040

(in ₹)	For the years ended December 31			For the six months ended June 30 (Unaudited)	
	2016	2017	2018	2018	2019
Trading and securities gains – net	158,694,268	184,893,310	18,298,145	13,635,267	141,525,943
Foreign exchange gains – net	101,470,450	93,514,194	174,406,811	109,005,664	19,453,662
Miscellaneous	112,048,827	75,192,739	75,992,746	14,223,681	(17,588,926)
Total	2,909,422,574	3,461,015,958	4,107,501,025	1,928,385,245	2,160,794,355
Operating Income					
Total	2,565,262,652	3,119,972,137	3,664,904,375	1,559,254,530	1,955,591,199
Operating Expenses					
Income Before Income Tax	344,159,922	341,043,821	442,596,650	369,130,715	205,203,156
Provision for Income Tax	96,679,444	33,656,439	125,482,848	106,098,446	46,837,115
Net Income	247,480,478	307,387,382	317,113,802	263,032,269	158,366,041

Consolidated Statements of Financial Position

(in ₹)	As of December 31			As of June 30 (Unaudited)
	2016	2017	2018	2019
Assets				
Cash and Other Cash Items	1,684,403,861	1,639,300,590	2,370,171,189	1,600,621,635
Due from BSP	13,415,517,416	16,017,675,837	16,108,207,737	14,160,774,422
Due from Other Banks	4,090,364,784	3,820,050,486	3,010,162,780	3,698,829,360
Interbank Loans Receivable and Securities Purchased Under Resale Agreements	677,831,467	3,327,394,739	2,188,410,000	4,557,828,885
Financial Assets at Fair Value Through Profit or Loss (“FVPL”)	2,555,185	48,134,331	8,206,143	2,693,515
Financial Assets at Fair Value Through Other Comprehensive Income (“FVOCI”)	–	–	13,116,787,076	10,719,303,361
Investment Securities at Amortized Cost	–	–	12,597,089,717	12,500,228,404
Available-for-Sale Investments (“AFS”)	11,743,930,219	19,195,024,564	–	–
Held-to-Maturity Investments (“HTM”)	3,549,900,604	–	–	–
Loans and Receivables	38,897,081,887	57,653,772,637	68,411,062,216	71,602,961,323
Property and Equipment	513,030,557	586,595,780	623,189,601	1,375,450,561
Investment Properties	285,433,340	284,512,646	341,073,550	317,912,708
Branch Licenses	997,450,182	999,064,339	999,881,780	1,000,097,614

(in ₹)	As of December 31			As of June 30
	2016	2017	2018	2019 (Unaudited)
Goodwill	244,327,006	244,327,006	244,327,006	244,327,006
Deferred Tax Asset – net	53,435,098	176,717,759	263,829,946	330,685,019
Other Assets	1,456,629,880	920,460,156	1,068,239,168	1,227,717,979
Total Assets	77,611,891,486	104,913,030,870	121,350,637,909	123,339,431,792
Liabilities and Equity				
Liabilities				
Deposit Liabilities				
Demand	12,428,636,410	13,261,822,846	16,050,910,830	15,642,726,429
Savings	37,970,501,792	59,914,046,564	59,709,184,942	52,944,473,605
Time	12,895,961,824	12,651,477,858	13,328,372,113	15,632,143,466
Long-term negotiable certificates of deposits	–	4,152,240,531	5,917,925,850	5,922,703,711
	63,295,100,026	89,979,587,799	95,006,393,735	90,142,047,211
Bills Payable	–	–	7,436,904,315	12,869,066,463
Manager’s Checks	404,180,308	724,047,158	719,901,336	742,971,085
Accrued Expenses	420,399,662	550,399,481	654,816,395	599,832,850
Deposit for Stock Subscription	–	–	3,000,000,000	–
Other Liabilities	1,523,995,301	1,565,663,052	2,155,068,336	2,603,159,103
Total Liabilities	65,643,675,297	92,819,697,490	108,973,084,117	106,957,076,712
Equity				
Common stock	12,000,000,000	12,000,000,000	12,000,000,000	15,000,000,000
Surplus	816,363,435	1,230,065,242	1,427,893,601	1,115,442,870
Surplus reserves	112,303,137	5,988,712	105,326,644	546,143,416
Remeasurement losses on retirement plan	(10,358,609)	(13,467,057)	357,997	357,997
Net unrealized losses on Available-for-Sale Investments	(838,255,143)	(1,026,656,867)	–	–
Net unrealized losses on financial assets at fair value through other comprehensive income	–	–	(1,036,006,819)	(174,149,934)
Cumulative translation adjustments	(111,836,631)	(102,596,650)	(120,017,631)	(105,439,269)
Total Equity	11,968,216,189	12,093,333,380	12,377,553,792	16,382,355,080
Total Liabilities and Equity	77,611,891,486	104,913,030,870	121,350,637,909	123,339,431,792

Selected Consolidated Financial Ratios

(in ₱)	For the years ended December 31			For the six months ended June 30 (Unaudited)
	2016	2017	2018	2019 ^a
Return on average equity ¹	2.07%	2.56%	2.59%	2.20%
Return on average assets ²	0.37%	0.34%	0.28%	0.26%
Net interest margin on average earning assets ³	3.92%	3.50%	3.33%	3.26%
NPL ratio ⁴	0.91%	0.83%	0.91%	0.92%
NPL covers ⁵	68.93%	56.11%	40.90%	47.12%
Loans to deposit ratio ⁶	61.45%	64.07%	72.01%	79.43%
CET 1 ratio ⁷	20.72%	18.74%	14.13%	18.73%
Tier 1 CAR ⁸	20.72%	18.74%	14.13%	18.73%
Risk-based CAR ⁹	21.37%	19.62%	15.00%	19.18%

Notes:

- (1) Net income divided by average total equity for the period indicated. Average total equity is based on outstanding balances at the beginning and end of the period divided by two.
- (2) Net income divided by average total assets for the period indicated. Average total assets is based on outstanding balances at the beginning and end of the period divided by two.
- (3) Net interest income divided by average interest-earning assets (Due from BSP, Due from Other Banks, Interbank Loans Receivable/Securities Purchased Under Resale Agreements, Financial Assets at Fair Value Through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income, Available-for-Sale Investments, Investment Securities at Amortized Cost, Held-to-Maturity Investment, and Loans and Receivables).
- (4) Total non-performing loans net of specific allowance for probable losses over gross loans
- (5) Total allowance for probable losses on NPLs over total NPLs gross of specific allowance for probable losses.
- (6) Net loans divided by total deposit liabilities.
- (7) CET 1 capital divided by total RWAs.
- (8) Tier 1 capital divided by total RWAs.
- (9) Total qualifying capital divided by total RWAs.

^a All income-related balances used in the computation are annualized

CAPITALIZATION AND INDEBTEDNESS

The following table sets out the unaudited consolidated long-term debt and capitalization of the Bank as of June 30, 2019, and as adjusted to give effect to the issuance of the Bonds. This table should be read in conjunction with the Bank's unaudited interim condensed consolidated financial statements as of and for the six months ended June 30, 2019 included in this Offering Circular.

	As at June 30, 2019	
	(Unaudited)	
	Actual	As adjusted
Liabilities		
Deposit Liabilities		
Demand	15,642,726,429	15,642,726,429
Savings	52,944,473,605	52,944,473,605
Time	15,632,143,466	15,632,143,466
LTNCD	5,922,703,711	5,922,703,711
	90,142,047,211	90,142,047,211
Bills Payable	12,869,066,463	12,869,066,463
Corporate Bonds Due 2021	-	2,500,000,000
Manager's Checks	742,971,085	742,971,085
Accrued Expenses	599,832,850	599,832,850
Other Liabilities	2,603,159,103	2,603,159,103
Total Liabilities	106,957,076,712	109,457,076,712
Equity		
Common Stock	15,000,000,000	15,000,000,000
Surplus	1,115,442,870	1,115,442,870
Surplus reserves	546,143,416	546,143,416
Remeasurement losses on retirement plan	357,997	357,997
Net unrealized losses on financial assets at FVOCI	(174,149,934)	(174,149,934)
Cumulative translation adjustments	(105,439,269)	(105,439,269)
Total Equity	16,382,355,080	16,382,355,080
Total Capitalization and Indebtedness ⁽¹⁾	123,339,431,792	125,839,431,792

(1) Total Capitalization and Indebtedness is the sum of liabilities and equity.

DESCRIPTION OF THE BANK

Overview

Robinsons Bank is the financial services arm of the JG Summit Group. The Bank is 60.0% owned by JGSCSC and 40.0% owned by RRHI. Robinsons Bank is a full-service Philippine commercial bank which serves the banking requirements of its retail customers, small and medium enterprises, middle-market companies and top corporations through its wide-array of financial products and services.

Robinsons Bank, together with its wholly-owned subsidiary LSB, offers a full suite of banking products and services. As of June 30, 2019, the Group had a total of 169 branches with 328 ATMs. The Bank also provides 24-hour banking services through its website www.robinsonsbank.com.ph.

The Bank introduced new products and services to support the Bank towards customer-centricity. In 2018 and 2019, the new products and services provided to the clients are the following:

2018

- *Robinsons Bank Visa Debit Card.* The Robinsons Bank Visa Debit Card is an EMV-(Europay, Mastercard, and Visa) chip enabled card that provides another level of security and convenience to cardholders. The Robinsons Bank Visa Debit Card has one-time password (“OTP”) and SMS confirmation features. Cardholders may also access their funds 24/7 and shop online or through Point-of-Sale (“POS”) terminals over 40 million Visa-affiliated merchants here and abroad with ease and protection.
- *Bancassurance.* Robinsons Bank ventured into bancassurance business in partnership with Pru Life UK. This business is seen to complement the Bank’s wide array of products and services offered to retail and consumer businesses. Through this partnership, Robinsons Bank is able to further serve its network of customers by providing them life insurance products that will complement access to comprehensive financial protection, offered to retail and consumer businesses.
- *Robinsons Bank Check Image Clearing System.* In time for the National Go-Live mandated by the Philippine Clearing House Corporation, the Bank implemented the Check Image Clearing System (“CICS”). The CICS combines check image capture, workflow, archival, distribution, and exception item handling. This initiative reduced the costs associated with check handling and processing, raised back-office productivity, and overall improved the Bank’s check clearing operations.
- *Robinsons Bank UNO® Mastercard.* The Robinsons Bank UNO® Mastercard is a regular type of credit card for various retail purchases. The annual fee is automatically waived if used 12 times within the year, every year. The Robinsons Bank UNO® Mastercard provides financial flexibility to the customers. Cardholders can extend their finances for all their straight retail purchase in 2-Gives with no minimum amount required.
- *Robinsons Bank DOS® Mastercard.* With the Robinsons Bank DOS® Mastercard, cardholders can extend their finances for all straight retail purchases in 2-Gives, with no minimum amount required at 0% interest. The annual fee is automatically waived if used 12 times within the year, every year.
- *Direct2Bank.* The Direct2Bank facility, powered by InstaPay and PESONet, is a simple, convenient and secure electronic funds transfer that allows customers to transfer funds from a Robinsons Bank account to another local bank account within the Philippines.

Direct2Bank InstaPay allows customers to transfer funds up to ₱50,000.00 per transaction to any InstaPay participating bank’s account 24/7. Funds are credited in real time.

Direct2Bank PESONet allows customers to transfer funds with a higher value to any domestic bank account. Funds will be credited on the same day if transaction is submitted before the prescribed cutoff of 14:00.

- *Simple Savings*. Simple Savings was designed to lower barriers of entry to the financial system in order to reach out to the unbanked, providing them with their first step towards becoming financially secured. New-to-bank clients can open their very own Simple Savings account with only one (1) ID, the most basic information and have instant access to an online Visa Debit Card, all for the low opening fee of ₱100.00. It also earns interest and can be used to shop online as well as POS transactions for different purchases, shopping, and dining. It also has a digital platform which provides access for Simple Savings account online application.

The Simple Savings deposit product supports the BSP's thrust in financial inclusion, making banking accessible to more Filipinos.

- *Businesslinker*. BusinessLinker is a platform for businesses that links them to the different parties in their supply chain, allowing them to carry out their trade transactions electronically and execute the underlying financial transactions within one application.
- *Merchant Acquiring*. Merchant Acquiring Business gives clients – SMEs and big corporations, alike, the ability to accept debit and credit cards for both POS terminals and Ecommerce/Online.

2019

- *IPONsurance®*. IPONsurance® offers a valuable alternative combining savings account with a FREE insurance coverage, for as low as ₱20,000 to open and maintain an account.

Although most coverage are up to 60 years old, the advantage of IPONsurance® makes coverage available to individuals of up to 65 years old, making this beneficial for recent retirees. More so, the product insurance coverage can go as high as four (4) times the account average daily balance (ADB) or up to ₱4 million maximum, with no medical check-ups or clearances required (subject to Terms and Conditions).

- *GO! Salary Loan Online Channel*. The GO! Salary Loan Online Channel provides access to an online application to a multipurpose personal loan facility for employees of accredited companies. It is collateral free loan with easy payment terms through salary deduction.
- *Hybrid Branch*. The hybrid branch simplifies the customers' journey through its digital banking facilities and self-service hubs, along with its traditional banking services. Through the digital self-service hub, clients can do banking transactions such as account opening, online payments, and more through digital touchscreen platforms, without the hassle of queuing and hardly any forms that need to be filled in. The hybrid branch also has a Collaborative Hub, which houses conference areas for face-to-face client transactions. Customers can also do Anytime Banking through the 24/7 ATM Cash Withdrawal and the Cash-In Deposit ATM.
- *Robinsons Cashback Credit Card*. The Robinsons Cashback Credit Card, in partnership with Robinsons Retail Holdings Inc., lets clients live life lighter and more rewarding as they earn rebates when they shop at any Robinsons store and other affiliated brands. For a minimum single receipt purchase of ₱3,500, users can earn a 3% rebate. If the transaction amount is below ₱3,500, a 0.50% rebate can be earned.

As of December 31, 2018, the Bank's total assets, total loans and receivables, total deposits, and total equity were at ₱121.35 billion, ₱68.41 billion, ₱95.01 billion, and ₱12.38 billion, respectively. The liabilities includes deposit for stock subscription of the shareholders of an additional ₱3.0 billion in support of the Bank's growth objectives.

As of December 31, 2018, the Bank's consolidated Tier 1 CAR and total consolidated CAR ratio were 14.13% and 15.00%, respectively, as reported to the BSP. As of June 30, 2019, the Bank's total assets, total loans and receivables, total deposits, and total equity were at ₱123.34 billion, ₱71.60 billion, ₱90.14 billion, and ₱16.38 billion, respectively.

As of June 30, 2019, the Bank's consolidated Tier 1 CAR and total consolidated CAR were 18.73% and 19.18%, respectively, as reported to the BSP.

History

Robinsons Bank started as a savings bank in November 1997 amid the backdrop of the Asian financial crisis. In 2002, then Robinsons Savings Bank acquired the branches of ABN Amro Savings Bank (Philippines) and its licenses to operate the branches and bank deposit portfolio. This acquisition made Robinsons Savings Bank the seventh largest thrift bank during that period. On April 23, 2010, the Monetary Board approved the joint acquisition of The Royal Bank of Scotland (Philippines), Inc., a commercial bank, by JGSCSC and RHI on a 60:40 ownership ratio. On August 6, 2010, The Royal Bank of Scotland (Philippines), Inc. was renamed as “Robinsons Bank Corporation”. Later on December 17, 2010, the BSP endorsed to the SEC the merger between Robinsons Bank Corporation, the commercial bank, and Robinsons Savings Bank, the savings bank, with Robinsons Bank Corporation as the surviving entity. On May 25, 2011, the SEC approved the merger of Robinsons Bank Corporation and Robinsons Savings Bank, with the latter as the surviving entity. With this merger, the Bank became the 14th largest amongst commercial banks and the 31st largest bank in the Philippine banking system by the end of 2010. In 2012, BSP approved the Bank's move to acquire LSB. The acquisition of LSB opens up business lines and grows the target market for Robinsons Bank in the Bicol region. LSB became a wholly-owned subsidiary of Robinsons Bank.

Robinsons Bank is one of the fastest growing commercial banks in the Philippines today. The Bank is committed to position itself for further business growth, and aims to be among the largest banks in the country.

Competitive Strengths

Strong shareholder group. The Bank is 60.0% owned by JGSCSC and 40.0% by RRHI. The ultimate parent company of the Bank is JGSHI, which is one of the country's largest and most diversified conglomerates. The JG Summit Group's resources expanded into foods, agro-industrial and commodities, real estate and hotels, air transportation, petrochemicals, and financial services and also has core investments in telecommunications and power generation and distribution. These companies are controlled by the Gokongwei Family. In July 2018, the shareholders infused ₱3.0 billion additional capital to Robinsons Bank, on top of the ₱5.9 billion which they infused in 2015, signaling their continuing confidence in the Bank's growth prospects.

Committed and experienced Board of Directors and management team. The Bank's Board are known for their independence and professionalism, and for making decisions with complete fidelity to the Bank while being cognizant of their responsibilities under existing applicable laws, rules, and regulations. The Board has demonstrated the ability to provide direction and has taken decisive steps in leading the Bank to sustain growth. The Bank boasts of a highly qualified management team with extensive experience in the banking industry.

Sound financial performance. Benefitting from the implementation of the Bank's 5-year strategic initiative launched last 2015, Roadmap 2020, the Bank's profitability continues to be on the uptrend, with net income reflecting a 28% growth from 2016 to 2018. Net interest income showed a 48% growth over the same period. The Bank's total assets expanded by 56% from 2016 to 2018 as loan portfolio grew by 76%. Notwithstanding its impressive growth, the Bank was able to preserve strong asset quality, as reflected in the improvement in the NPL ratio. Robinsons Bank's CAR remains comfortable, well above BSP's minimum requirement of 10.0%.

Synergy with the JG Summit Group. The diversity, market, and financial strength of the companies in the JG Summit Group provide Robinsons Bank with significant opportunities to harness synergies in the areas of commercial and retail banking. The size of the Group provides a huge captured market for its corporate lending, treasury, trust, and consumer lending products and services.

Strong growth potential. In 2015, the Bank mapped out its strategic thrusts for the next five years to rev up the Bank's growth towards its goal of becoming “the Bank of Choice”. The Roadmap 2020 has three phases: (i) capacity building, (ii) core income growth, and (iii) expanded business ventures. Ahead of schedule, the Bank has rolled-out Phase 3 of the Roadmap 2020. In 2018, various products and services were launched: bancassurance, merchant acquiring, Direct2Bank PesoNet, Direct2BankInstaPay, Simplé. In 2019, the Bank introduced IPONsurance product.

Strategies

Robinsons Bank aims to be one of the top banks in the Philippines, offering innovative and competitive financial products and services to its clients. The Bank's five-year initiative Roadmap 2020 serves as guide to achieve the

Bank's goals. The Roadmap covers: refocusing of strategies; rebranding; organizational restructuring of the key support units; improving processes; expanding lending and branch network; developing new products and services; and fully exploring business opportunities within its target markets.

The Bank executed Phase 1 (Capacity Building) of the Roadmap 2020 in 2015. During the year, capital equivalent to the unissued shares from Bank's existing authorized capital stock of ₱6.1 billion was infused to the Bank. Starting 2016, the Bank focused on Phase 2 (Core Income Growth), and by 2017, the Bank entered Phase 3 (Expanded Business Ventures). In 2017 and 2018, the Bank launched numerous products and services that will augment its core businesses. Robinsons Bank introduced the Robinsons Bank Credit Card in 2017, and officially launched it on May 21, 2018, in a bid to provide financial flexibility to its customers. The Bank also announced the launch of its bancassurance business in 2018, after establishing a strategic partnership with Pru Life UK. In September 2018, the Bank also entered into the Merchant Acquiring space. The Bank also issued ₱4.18 billion and ₱1.78 billion worth of LTNCDs in 2017 and 2018, respectively, to diversify the maturity profile of its funding sources as well as to support medium-term expansion initiatives.

For the next two years, the Bank will continue to implement the business strategies set in the Roadmap 2020, develop new and innovative products suitable to customer needs, and implement its digital transformation initiatives to provide better customer experience. For 2019, the Bank also aims to grow its asset base by 32%. To generate core income, the Bank is planning to increase its gross loan portfolio by 32% and grow its deposits by 33% from 2018. The Bank also aims to maintain its good asset quality. To reach greater market coverage, the Bank plans to open 16 new branches across the country and install 44 new ATMs. The Bank also aims to increase its credit card base to 100,000 active cards.

Products and Services

The products and services offered by the Bank are aimed to cater to the needs of its commercial, corporate, and retail clients. With this in mind, the Bank provides the following products and services:

DEPOSIT PRODUCTS

Savings Account

- Passbook Savings Account
- ATM Savings Account
- Tykecoon Savings Account
- US Dollar Savings Account
- Third Currency Account (EUR, JPY)
- Special Savings Account
- Simplé Savings Account
- IPONsurance® Savings Account

Peso Checking Account

- Regular Checking Account
- Corporate Checking Account

Time Deposits

- Peso Time Deposit
- US Dollar Time Deposit
- Third Currency Time Deposit

CONSUMER LOANS

GO! Housing Loan

GO! Auto Loan

GO! Personal Loan

GO! Motorsiklo Loan

GO! mSME Loan

GO! Small Biz Loan

GO! Salary Loan Online Channel

CARD PRODUCTS

TRANSACTION BANKING PRODUCTS

Payables

- Payroll Services
- Electronic Crediting
- eGov
- Outsourced Manager's Check Printing
- Outsourced Corporate Check Printing
- SME Builder Check Pro
- SME Builder HRIS

Collections

- Bills Payment
- Post Dated Check Warehousing

Payments

- Direct2Bank PesoNet
- Direct2Bank InstaPay
- Real- Time Gross Settlement
- Philippine Domestic Dollar Transfer System (PDDTS)

Remittance

- Western Union Remittance Facility

ATM SERVICES

Cash Withdrawal

Bills Payment

Fund Transfer

ATM Guard

UNO® Mastercard
UNO® Platinum Mastercard
DOS® Mastercard
DOS® Platinum Mastercard
Robinsons Cashback Credit Card
Visa Debit Card

COMMERCIAL LOAN

Revolving PN Line
Trade Check Discounting
Vehicle Fleet Financing
Domestic Bills Purchase Line
Short and Long Term Loans
Export Advances Facility

TREASURY PRODUCTS

Peso Sovereign Bonds (TBills, FXTNs, RTBs)
Peso Corporate Bonds
US\$ Sovereign Bonds (ROPs and other sovereign bonds)
US\$ Corporate Bonds
Peso Government Securities
Spot Foreign Exchange

FOREIGN CURRENCIES

US Dollar (USD)
English Pound (GBP)
Australian Dollar (AUD)
Japanese Yen (JPY)
Hong Kong Dollar (HKD)
Singapore Dollar (SGD)
Canadian Dollar (CAD)
New Zealand Dollar (NZD)
Arab Emirates Dirham (AED)
Euro (EUR)
Swiss Franc (CHF)
Thai Baht (THB)
Chinese Yuan (CNY)
Korean Won (KRW)
Brunei Dollar (BND)
Bahrain Dinar (BHD)
Saudi Riyal (SAR)

PERSONAL ONLINE BANKING

AGENCY BANKING

Mobile Banking
Internet Banking

BANCASSURANCE

TRADE SERVICES PRODUCTS

Import/Export Lines
Bank Guaranty

TRUST PRODUCTS

Unit Investment Trust Fund

- Money Market Fund
- Balanced Fund
- Tax-Exempt Retirement Fund

Personal Investment

- Personal Management Trust
- Personal Investment Management Account (IMA)

Corporate Investment
Corporate Investment Management Account (IMA)
Escrows
Retirement Fund Management
Safekeeping
Mortgage Trust Indenture (MTI)

OTHER BANKING SERVICES

Manager's Check/ Demand Draft
Telegraphic Transfer

Business Segments

Each segment described below work together in providing the products and services of the Bank to its corporate and retail customers.

Retail Banking Segment

The Retail Banking Segment manages the Bank's branch network which is its main channel for offering its products and services to its commercial, corporate, and retail customers.

The Retail Banking Segment is composed of eight (8) areas namely: Metro Manila 1, Metro Manila 2, Metro Manila 3, North Luzon, South Luzon, Eastern Visayas, Western Visayas, and Mindanao.

Corporate Banking Segment

All Groups lending to and providing relevant business products and related services to corporate accounts are lumped under this Segment. These are Account Management Groups 1 to 4 and Transaction Banking Group.

The Bank's loan products under the Corporate Banking Segment include Commercial Loans and Domestic Bills Purchased. As of June 30, 2019, Commercial Loans were at ₱44.70 billion, while Domestic Bills Purchased amounted to ₱608.60 million. Each loan product is described below:

- *Revolving PN Line.* Revolving Promissory Note Line combines the elements of a promissory note and a term loan in that the borrower may draw down and repay tranches up to a maximum amount of capital whenever it chooses during the term of the loan, and amounts repaid can be re-borrowed.
- *Trade Check Discounting.* Discounting Line is used to bridge the gap of payables and receivables of small and medium enterprises through trade check discounting line or discounting of third party postdated checks.
- *Vehicle Fleet Financing.* Floor Stock Line is available to all major vehicle brand dealerships operating nationwide subject to satisfactory compliance of all existing credit standards of the Bank. The facility shall be used for the dealers' working capital requirements for the purchase of vehicles for inventory and resale. It is a tailored fit financing solution through a revolving facility that allows the dealers to obtain inventory financing for retail purposes.
- *Domestic Bills Purchase Line.* Bills Purchase Line is an advanced cash on business checks prior to clearing, drawn from banks within local and regional clearing desk.
- *Short- and Long- Term Loans.* Term Loans allow the borrower to draw a lump sum of capital or drawings, which may be made in several tranches within a specific period (the availability period) after execution of the loan agreement.
- *Export Advances Facility.* Trade Finance is used to support import or export of goods, this concerns both domestic and international trade transactions. It includes such activities as lending, issuing letters of credit, factoring, export credit, and insurance. Companies involve in trade finance include importers and exporters, banks and financiers, issuers and export credit agencies, as well as other service providers.

Consumer and Regional Banking Segment

All groups that are doing the lending function for loan products and services designed for individual consumers, business start-ups, and small and medium-sized enterprises in Metro Manila and in the regions are clustered under this Segment. These are Consumer Finance Group, Motorcycle Finance Group, Cards Business Group, and Regional Lending Group.

Consumer Finance Group

The Bank's loan products under the Consumer Finance Group include Home Loan, Auto Loan, Personal Loan, PLP Secured Loan, Small Business Loan, mSME Loan, and Credit Card. As of December 31, 2018, Real Estate and Consumption Loans were at ₱14.38 billion and ₱8.55 billion, respectively, which comprise 21.06% and 12.51% of

the Bank's Gross Loans, respectively. As of June 30, 2019, Real Estate Loans totaled ₱16.27 billion while Consumption Loans reached ₱9.91 billion, which comprise 22.76% and 13.86% of the Bank's Gross Loans, respectively. Each loan product is described below:

- **Home Loan.** Home Loan is offered to clients who plan to purchase a residential lot, house and lot, condominium, town house; or plan to construct a new building on an existing lot, house renovation; or for refinancing of existing home loans. The product is offered to fixed salary employees, self-employed professionals, entrepreneurs and partnerships, among others.

Loan tenor is up to 20 years, current interest rates are at 7.00% to 8.50%, depending on the loan term. The maximum loan amount is 90.00% of total contract price or appraised value. The collateral is the unit subject of financing or other acceptable real estate for refinancing.

- **Auto Loan.** Auto Loan is offered to clients who plan to acquire brand new or second hand cars and to clients who plan to refinance their existing auto loans. The product is offered to fixed salary employees, self-employed professionals, entrepreneurs, and partnerships and corporations for company use and/or for the purpose of providing "car loan benefits" to its employees.

Tenor is one year to five years, with currently prevailing interest rates at 8.00% to 10.50% per year. The maximum loan amount is 80.00% of unit suggested retail price for brand new and maximum of 70.00% of appraised value for second hand units. Collateral is chattel mortgage on unit to be financed.

- **Personal Loan.** Personal Loan is a short term multi-purpose, unsecured loan for fixed-salaried individuals. The target market for this product are employees from the top 10,000 corporations which are accredited by the Bank or existing clients of the Bank. The maximum loan is ₱1 million with amortized payment via equal monthly installments for a maximum tenor of 36 months.
- **Small Business Loan.** Small Business Loan ("SBL") is a credit facility fully secured by either a real estate property or deposits. The SBL is offered to micro, small, and medium enterprises for working capital, expansion, and capital expenditure purposes. Under the Term Loan program of SBL, the loan is amortized via equal monthly installment for a maximum term of 10 years. On the other hand, the Credit Line program allows interest payment monthly and principal at maturity date, with a maximum term of 180 days. The maximum loan is up to ₱20 million.
- **mSME Loan.** Recognizing the limited access to credit of micro, small, and medium businesses due to absence of collateral that can be offered, the Bank launched the mSME Loan Program. This is an unsecured loan to finance the short term needs of businesses such as cash for daily operations, inventory purchase, and payment to suppliers. The minimum loan amount is ₱300,000.00 while the maximum loan is ₱2 million which can be amortized in equal monthly installment of up to 24 months.

Motorcycle Finance Group

Motorcycle Loans are offered to clients who plan to acquire motorcycles for personal or business use. The product is offered to fixed salary employees, self-employed professionals, entrepreneurs, and partnerships, among others.

Cards Business Group

The Bank launched its very own credit card in 2017. The Cards Business Group offered credit card products custom-fit to its target market's needs, usage habits, and preferred benefits, among others, with the goals of providing utmost customer satisfaction and encourage customer loyalty. Its unique customer value proposition highlights the retail genetics of the business and the empowerment of its customers. The Cards Business Group shall work with the various units not just within the Bank, but, more importantly, within the JG Summit Group to ensure a cohesive product differentiation through superior technology, excellent customer service, and relevant market-to-date products, programs and promotions.

Regional Lending Group

The Regional Lending Group is responsible for loan account acquisition, loan account management, and remedial loan management for commercial, small, and medium enterprises with head offices located in provincial areas. Lending desks have been established in Pampanga, Naga, Cebu, Iloilo, and Davao to support the financial needs of the growing regions.

Treasury Segment

The segment is responsible for the management of the Bank's funding, liquidity, fixed income and foreign exchange trading (including proprietary trading), and reserves in compliance with the requirements of the BSP. The segment is tasked with ensuring the funding requirements of the Bank's lending activities are adequately addressed as led by the Bank's Asset and Liability Committee ("ALCO").

In terms of proprietary trading, the segment derives profit from taking positions, portfolio diversification, and trading, among others, within the Bank's risk guidelines.

Enterprise Services Segment

This consolidates all groups that provide support services across the organization. This new structure continuously provides assistance to business generation and operations while upholding its independence. These are Human Resource Management Group, Legal Services Group, Information Technology Group, Marketing Group, and Credit Management Group, which services transverse the whole organization are part of this segment.

Information Technology Group

The Bank's Information Technology Group ("ITG") is responsible for the development, acquisition, and maintenance of the various technology solutions used to deliver products and services to the Bank's corporate and retail customers. To deliver these products and services, ITG works with the various business units within the Bank and leverages the strength of the JG Summit Group of Companies, ensuring that the technology solutions meet the business requirements and service levels, comply with regulatory requirements, adhere to industry standards, and utilize the latest tools in combating cyber-attacks and other technology risks. The ITG is continuously updated with the latest technology trends to ensure that the technology solutions remain efficient, secure, and up-to-date. ITG is an integral member of the Bank's Management Committee and is governed by IT Steering Committee, which is chaired by a member of the Board and whose members consist of senior representatives from Operations, Risk Management, Compliance, and Audit.

Legal Services Group

The Legal Services Group ("LSG") formulates legal policies, engages with external law firms, selects external legal advisers and maintains relationships with those firms. The Group also coordinates and completes litigations involving the Bank, controls new product approvals, and monitors legal developments or changes which may affect the Bank or any of its products. The LSG also handles the preparation and review of corporate and consumer loan documents, as well as contracts and agreements of the other units of the Bank, and renders legal opinions whenever requested. It also acts as Secretariat for the meetings of the Bank's Board, Executive, Management and Credit Committees, as well as the Committee on Employee Conduct, of which LSG is a member.

Credit Management Group

The Credit Management Group handles the delivery of various credit management services of the Bank, such as credit investigation, appraisal, credit evaluation, documentation, collection, asset recovery, and ROPA sales. The Group is divided into six divisions – Credit Management Division 1, Credit Management Division 2, Credit Management Division 3, Collection and Asset Recovery, Credit Support, and Credit MIS.

Marketing Group

The Marketing Group is responsible for the communication and promotion of the Bank products and services. The group provides support to the business units of the Bank in the promotion, advertising, and design of the Bank's overall brand. The group is involved in the design and production of collaterals, giveaways, advertisements, and branch marketing materials and fixtures. It also assists the business units in conducting market research and in implementing promotional activities and marketing campaigns. Its responsibilities include advertising and promotions, brand awareness, business generation support, communications, digital marketing, marketing materials management, retail identity management, control management, and control of related expenses.

Human Resources Management Group

The group is responsible for the recruitment, onboarding, training, and career development of all employees of the Bank. As of December 31, 2018, the Bank and LSB had a total of 2,064 employees, of which 836 are officers.

Operations and Control Segment

The Segment oversees the Bank's day-to-day operations, maintains profitability targets, ensures consistency, and improves the processes of the Bank to improve the work flow and internal Bank processes. The Segment's function includes the design and management of the Bank's products and services, particularly the Bank processes. Likewise, the Group evaluates and allocates resources to effectively deliver the Bank's products and services. This segment consolidates Customer Experience Group, Operations Group, Administration and Purchasing Department, and Security Department.

Customer Experience Group

The Customer Experience Group was created to strengthen customer relationships through technological breakthroughs and continuous process enhancements that quickly adapt to changing customer demands and expectations. The Group is divided into two departments – Business Process Management Department and Digital Transformation Office Department.

Operations Group

The Operations Group drives the operational processes, maintaining effectiveness and efficiencies while monitoring compliance to relevant local and international regulations as well as total client satisfaction. The Group is also responsible for the adherence, regular update and consistent application of the Bank's operating policies and procedures, while ensuring the achievement of a firm level of compliance to internal controls. The Operations Group is divided into four departments – Branch Support, Clearing, Operations Processing, and Treasury Operations.

Administration and Purchasing Department

One of the major functions of the Administration and Purchasing Department is the fulfillment of approved purchase requests by the Bank. The department also handles the printing of marketing collaterals, procurement of stationery and office supplies, equipment, accountable forms, and corporate giveaways. Moreover, the department supports the launch of the Bank's new products and services by sourcing, assessing, and recommending new suppliers based on the prescribed requirement.

To mobilize sales and marketing activities, the department provides the logistics, such as transportation services, manpower support, marketing kiosks and booths, in event locations. Essentially, the Administration and Purchasing Department is the backroom support to every launch of a new product and service.

Security Department

The Security Department is responsible for the development and management of the Bank's Security Program. The team also performs over-all supervision and monitoring of bank security personnel to ensure the security and safety of the premises, employees, and clientele. It also conducts Security Audit and Inspection on Head Office and branches to ensure that employees are adhering to the security policies.

Financial Management Segment

The Financial Management Segment is responsible for maximizing shareholder return, delivering cost-efficient and high quality financial services to ensure clean balance sheet with strong process controls to prevent and detect fraud. This segment is composed of Controllership Group, Loans and Discounts Group, Corporate Planning Department, and Trade Services Department.

Controllership Group

The Controllership Group provides critical, strategic leadership, management and advisory services in all matters pertaining to accounting and financial reporting. The Controllership Group is also responsible in ensuring that the Bank's accounting procedures conform to generally accepted accounting principles, applicable laws and regulation. Controllership has five supporting departments – General Accounting, Financial Reporting, Reconciliation, Specialized Accounting, and Cards Accounting.

Loans and Discounts Group

The Loans and Discounts Group is responsible for servicing clients in need of Commercial Loans, Home Loans, Auto Loans, Motorcycle Loans, and other personal loans being offered by the Bank. The Group's services include releasing of proceeds, acceptance of payments, preparation of Statement of Accounts, and certification of outstanding loan balances.

Corporate Planning Department

The Corporate Planning Department ("CorPlan") is responsible for mapping out and facilitating the course of action and business plans of the board approved strategies and directions of the Bank that will result to revenue growth and increased profits. CorPlan ensures that the respective Business Units' work plans are aligned with the overall Bank strategies. Also, CorPlan organizes the annual work plan and supervises of the directions set by the Board of Directors. CorPlan has three supporting Units –Financial Analytics, Planning and Budgeting, and Economics and Research.

Trade Services Department

The Bank's Trade Services Department is in close coordination with the Corporate Banking Segment. The Trade Services Department's products are being marketed by AMG and Retail Banking Segment's branches. The Trade Services Department serves as the back-end support in processing trade products transactions. The department ensures that the transactions being processed are in accordance to the approved credit line provided to each corporate account. Moreover, the completeness of the documents and the collection of required fees are administered by the department. It is also responsible for reconciling accounting entries and guarantees that all balances are likewise based on the general ledger and subledger account.

The Trade Services Department services its clients if there are any concerns. To deliver utmost service to the clients, the Department is guided by the prescribed turnaround time. As part of control, the department practices dual control in processing the products by having maker and approver. The department is also tasked to make sure that interest fees are being collected and that the classification of accounts are being monitored.

Ultimately, the Trade Services Department implements processes in accordance with BSP rules and regulations, ICC Uniform Customs and Practice for Documentary Credits, and other governing agencies for trade services.

SUBSIDIARY

Legazpi Savings Bank

LSB was acquired by the Bank in December 2012. Its head office is located at Rizal Street, Barangay Sagpon, Albay, Legazpi City. The Bank acquired LSB to utilize its capacity and branch network to engage in countryside banking.

As of December 31, 2018, LSB had 16 branches, 4 kiosks, and 17 ATMs mostly located in the Bicol, Southern Luzon and Central Luzon regions. As of December 31, 2018, LSB's total assets, total net loans, total deposits, and total equity were at ₱2.22 billion, ₱1.03 billion, ₱1.61 billion, and ₱0.55 billion, respectively.

LSB offers a wide suite of deposit and lending products to retail and corporate customers through its branches and micro-banking offices. The bank offers retail loans which include Auto Loans, Housing Loans, Personal Salary Loans, Microfinance and Small Business Loans. LSB also offers inter-branch transactions/fund transfer to any LSB Branch.

In 2015, the Bank decided to clean-up LSB's books by recognizing outright (i.e., charging to current operations) the remaining provisions pertaining to legacy accounts. The BSP originally approved the staggering of these provisions for up to five years, until 2017. The Bank also strengthened its oversight functions to LSB by appointing concurrent officers in the following functions: Chief Audit Officer, Head of Human Resources, Legal Unit Head, and Chief Security Officer.

As part of the Bank, LSB embarked on capacity building initiatives in 2015. To better attend to customer needs, LSB extended its service availability by operating on a six-day banking week. Then on October 2015, LSB joined BancNet, the country's ATM and electronic payments network. In February 2017, LSB opened a new branch in Lucena City, its first branch outside the Bicol Region. LSB is now providing financial services in Lucena and Calauag, Quezon; Dasmariñas, Cavite; and San Fernando City, Pampanga.

Funding

The Bank's main sources of funds are its savings accounts, inclusive of special savings accounts, and its time deposits. As of December 31, 2018, savings accounts represented 62.8% of the total deposits, while time deposits including LTNCDs and demand deposits represented 20.3% and 16.9% of the Bank's total deposits, respectively. As of June 30, 2019, savings accounts made up 58.7% of the total deposits while time deposits including LTNCDs and demand deposits made up 23.9% and 17.4% of the total deposits, respectively.

The following table sets out an analysis of the Bank's principal sources of funding:

	2016		As of December 31, 2017		2018		As of June 30, 2019 (Unaudited)	
	Amount	%	Amount	%	Amount	%	Amount	%
(₱ millions, except for %)								
Deposit Breakdown								
Demand								
Peso	12,428.6	19.6	13,261.8	14.7	16,050.9	16.9	15,642.7	17.4
Savings								
Peso	32,640.2	51.6	54,671.2	60.8	52,411.0	55.2	45,182.2	50.1
Foreign	5,330.3	8.4	5,242.9	5.8	7,298.1	7.7	7,762.3	8.6
Subtotal	37,970.5	60.0	59,914.0	66.6	59,709.2	62.8	52,944.5	58.7
Time (including LTNCDs)								
Peso	9,540.1	15.1	13,901.9	15.5	14,941.5	15.7	16,883.9	18.7
Foreign	3,355.9	5.3	2,901.8	3.2	4,304.8	4.5	4,670.9	5.2
Subtotal	12,896.0	20.4	16,803.7	18.7	19,246.3	20.3	21,554.8	23.9
Total	63,295.1	100.0	89,979.6	100.0	95,006.4	100.0	90,142.0	100.0

Moving forward, the Bank is aiming to grow its low-cost deposits by offering cash management, internet retail, and corporate banking and visa debit cards. These low-cost deposits are mostly rolled over at maturity effectively providing the Bank with a significant core deposit.

The Bank has expanded its source of funds in order to diversify the maturities. In terms of deposits, the Bank issued 5.5-year LTNCDs in 2017 and in 2018 to reduce the gapping of long-term assets with short term deposits and to lengthen the maturity profile of its deposit base. The following table sets out an analysis of the maturities of the Bank's deposit base:

(₱ millions)	As of December 31,			As of June 30,
	2016	2017	2018	2019 (Unaudited)
Demand	12,428.6	13,261.8	16,050.9	15,642.7
Savings (includes SSA)	37,970.5	59,914.0	59,709.2	52,944.5
Time Deposits (includes LTNCD)	12,896.0	16,803.7	19,246.3	21,554.8
Up to 1 year	8,724.5	8,797.0	8,757.5	11,470.6
> 1 year	4,171.5	8,006.7	10,488.8	10,084.2
Total	63,295.1	89,979.6	95,006.4	90,142.0

The Bank also maintains credit lines with other financial institutions in the interbank market primarily for liquidity management purposes. These are typically overnight to a few weeks which the Bank use for funding its assets via interbank or swaps market.

Liquidity

The Bank seeks to lengthen liability maturities, diversify existing fund sources, and continuously develop new instruments that cater to different segments of the market.

To date, reserve requirements of universal and commercial banks set by BSP is at 16% of Peso demand deposits and deposit substitutes as per Circular 1004 of the BSP. Further to this, the BSP is expected to implement a minimum daily LCR, based on the ratio of unencumbered HQLA over total net outflows, of no lower than 100% starting January 1, 2018 as per Circular 905.

As of December 31, 2018, the Bank's liquid assets amounted to ₱49.40 billion, representing 40.7% of the Bank's total assets. As of June 30, 2019, the Bank's liquid assets amounted to ₱47.24 billion, representing 38.3% of the Bank's total assets. Liquid assets include cash and other cash items, due from BSP, due from other banks, interbank loan receivables, securities purchased under resale agreement and investment securities. The following table sets forth information with respect to the Bank's liquidity position:

	As of December 31,			As of June 30,
	2016	2017	2018	2019 (Unaudited)
	(₱ millions, except for %)			
Liquid Assets	35,164.5	44,047.6	49,399.0	47,240.3
Financial Ratios:				
Liquid assets to total assets	45.3%	42.0%	40.7%	38.3%
Liquid assets to total deposits	55.6%	49.0%	52.0%	52.4%
Loans and receivables (net) to total deposits	61.5%	64.1%	72.0%	79.4%

Loans and Receivables Portfolio

As of June 30, 2019, the Bank's total loans and receivables, net of unearned interest and discount ("UID") and allowance for credit losses ("Net Loans"), amounted to ₱71.60 billion, representing 58.05% of total assets as of that date. Loans to commercial and domestic bills purchased (inclusive of corporate loans) represented 63.38% of the Bank's total gross loans while consumption/consumer & real estate loans represented 36.62% of the Bank's total gross loans.

The following table sets out, for the periods indicated, the allocation of the Bank's portfolio of loans and receivables:

	As of December 31,			As of June 30,
	2016	2017	2018	2019 (Unaudited)
	(₱ millions)			
Receivables from customers:				

	As of December 31,			As of June 30,
	2016	2017	2018	2019 (Unaudited)
Commercial	27,820.2	41,043.9	44,523.1	44,700.6
Real estate	5,763.5	9,430.4	14,376.3	16,269.9
Consumption	5,218.0	6,847.3	8,545.1	9,905.2
Domestic bills purchased	139.3	498.5	834.4	608.6
Subtotal - Total Gross Loans	38,941.0	57,820.1	68,278.9	71,484.3
Less: Unearned interest and discount	31.0	235.5	416.1	370.6
Subtotal - Total Gross Loans (net of UID)	38,910.0	57,584.6	67,862.9	71,113.7
Other receivables:				
Accrued interest receivable	493.7	662.9	822.8	808.2
Accounts receivable	348.2	465.8	777.9	719.2
Sales contract receivable	49.5	34.5	28.5	95.5
Lease receivables	8.6	9.1	9.7	-
Subtotal - Total Gross Loans and receivables (net of UID)	39,810.1	58,756.8	69,501.7	72,736.6
Less: Allowance for credit losses	913.0	1,103.0	1,090.7	1,133.7
Total Net Loans and Receivables	38,897.1	57,653.8	68,411.1	71,602.9

Loan and Receivables Maturity Profile

The following table sets out an analysis of the Bank's gross loans and receivables by maturity:

	2016	As of December 31,		2018	As of June 30,
		2017			2019 (Unaudited)
	(₱ millions)				
Due within one year	16,616.8	19,078.8		29,965.2	20,470.0
Due beyond one year	23,224.3	39,913.5		39,952.6	52,637.3
Total Gross Loans and Receivables	39,841.1	58,992.3		69,917.8	73,107.3

Foreign Currencies

The following table sets out an analysis of the Bank's loan portfolio by currency:

	As of December 31,						As of June 30,	
	2016		2017		2018		2019 (Unaudited)	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except for %)							
Philippine Peso	38,731.8	99.5%	57,584.5	99.6%	67,865.5	99.4%	71,371.3	99.8%
Foreign:								
U.S. Dollars	209.2	0.5%	235.6	0.4%	413.4	0.6%	113.0	0.2%
Others	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Subtotal	209.2	0.5%	235.6	0.4%	413.4	0.6%	113.0	0.2%
Total	38,941.0	100.0%	57,820.1	100.0%	68,278.9	100.0%	71,484.3	100.0%

As of December 31, 2018, 99.4% of the Bank's total loan portfolio was denominated in Philippine Peso and the remaining loans were denominated in foreign currency, majority of which were in U.S. Dollars.

Interest Rates

The Bank's interest rates for its corporate/commercial loans and consumer loans are based on market rates for Philippine Government Securities depending on the industry practice per product. For foreign currency loans, these are usually pegged on the U.S.\$ London Interbank Offered Rate ("LIBOR"), a U.S.\$ denominated Philippine Government Security or other benchmarks agreed between the Bank and a borrower.

Size and Concentration of Loans

The following table sets forth, for the periods indicated, an analysis of the Bank's loan portfolio by economic activity:

Type of Industry	As of December 31,			As of June 30,
	2016	2017	2018	2019 (Unaudited)
	(₱ millions)			
Real estate activities	8,950	13,583	18,415	20,054
Wholesale and retail trade	7,866	9,336	10,190	10,918
Manufacturing	3,641	6,571	7,095	6,057
Electricity, gas, and water supply	3,073	5,418	7,205	7,526
Loans to individuals for consumption purposes	4,437	5,234	6,679	8,557
Transport and storage	957	4,916	4,708	4,808
Financial and insurance activities	4,623	4,893	3,563	3,268
Arts, entertainment, and recreation	1,000	2,000	3,472	3,458
Accommodation and food service activities	870	1,152	935	996
Agriculture, forestry, and fishing	660	920	1,018	893
Information and communication	802	865	948	947
Construction	621	839	1,212	1,304
Administrative and support service activities	258	640	292	252
Water supply, sewerage, waste management	789	492	989	1,235
Others	394	961	1,558	1,211
Total	38,941	57,820	68,279	71,484

The Bank monitors (i) its exposure to specific sectors of the economy such as agriculture and small and medium-sized enterprises and (ii) product limits, SBL, and DOSRI limits, among others, to comply with BSP regulations and internal policies. In the event that there are breaches, immediate corrective initiatives are set in place to ensure strict compliance. As of June 30, 2019, the Bank is compliant with the SBL set by the BSP.

Security

In the Bank's Credit Process, the Bank assesses a loan based on its purpose, ability to generate cashflow, credit enhancements via guarantee or surety, and collateral available, among others. The Bank prefers that if collateral/s is available, it will cover substantially all or the entire loan amount.

The following table sets out the breakdown of the Bank's total loan portfolio by security:

	As of December 31,		2017		2018		As of June 30,	
	2016		2017		2018		2019 (Unaudited)	
	Amount	%	Amount	%	Amount	%	Amount	%
	(₱ millions, except for %)							
Secured by:								
Real estate	7,371.8	18.9%	12,153.5	21.0%	14,226.3	20.8%	15,437.0	21.6%
Deposit hold-outs	2,605.0	6.7%	3,652.6	6.3%	4,445.0	6.5%	4,727.2	6.6%
Chattel	1,913.2	4.9%	5,062.1	8.8%	4,356.5	6.4%	4,823.2	6.7%
Others	3,620.7	9.3%	7,906.0	13.7%	8,897.8	13.0%	9,655.1	13.5%
Subtotal	15,510.6	39.8%	28,774.2	49.8%	31,925.5	46.8%	34,642.5	48.5%
Unsecured	23,430.4	60.2%	29,045.9	50.2%	36,353.4	53.2%	36,841.8	51.5%

Total	38,941.0	100.0%	57,820.1	100.0%	68,278.9	100.0%	71,484.3	100.0%
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Credit Rating System

For the Bank

The Bank has in place an internal credit rating risk (“ICRR”) system, established and approved in accordance with BSP Circular No. 439 s 2004, to cover corporate credit exposures to companies with assets of more than P15.0 million.

The Bank’s ICRR consists of 14 risk ratings with eight risk ratings covering high grade and standard exposures, four risk ratings covering subs-standard grade exposures, and two covering past due and impaired exposures. The aforementioned ICRR system intends to provide a structure to define the credit portfolio, and consists of an initial rating for the borrower risk adjusted for the facility risk. Inputs include an assessment of management, credit experience, financial condition, industry outlook, documentation, security and term.

On top of this, the Bank also monitors credit risk from investments using credit ratings based on Moody’s Investors Service (“Moody’s”). Credit quality of due from BSP and other banks and interbank loans receivable are based on available ratings by accredited international and local credit rating agencies.

The Bank assigns the following credit quality groupings based on Fitch Ratings (“Fitch”) and Moody’s rating (“Moody’s”):

Credit Quality	Fitch	Moody’s
High Grade	AAA to A-	Aaa to A3
Standard Grade	BBB+ to BB-	Baa1 to Ba3
Sub-standard Grade	B+ to C-	B1 to Ca
Past due and impaired	D	C

For Legazpi Savings Bank

For borrowers of LSB, the bank evaluates credit quality using the following classifications:

- *Neither past due nor individually impaired* – LSB classifies those accounts under current status having the loan grades of either Unrated Grade, Substandard Grade, Standard Grade, or High Grade depending on the borrower’s characteristics upon review.
- *Past due but not individually impaired* – These are accounts which are classified as delinquent but LSB assesses that there is no objective evidence that these accounts are impaired as of statement of financial position date.
- *Individually impaired* – Accounts which show evidence of impairment as of statement of financial position date.

Credit Process

Loan origination is handled by the Account Management Group while the Credit Management Group primarily handles the credit initiation and evaluation and the processing of requirements for internal approvals.

The Bank has a multi-level credit approval process for its corporate/commercial loans based on the respective sizes of each proposed loan. The table below shows the different thresholds of credit limits delegated per approving authority of the Bank’s fully secured corporate/commercial loans:

Approving Committee	Amount (₱)
Credit Committee	25 million
Executive Committee	500 million
Board of Directors	Above 500 million

Note: Threshold of Credit Committee approval for cash secured loans is up to ₱50 million

Non-performing Loans

Under banking regulations, NPLs shall, as a general rule, refer to loans whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing BSP rules and regulations. This shall apply to loans payable in lump sums and loans payable in quarterly, semi-annual, or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. Under BSP Circular No. 772, which was issued on October 16, 2012, gross NPLs include those that are covered with 100% allowance.

In the case of receivables that are payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three or more installments are in arrears. In the case of receivables that are payable in daily, weekly, or semi-monthly installments, the total outstanding balance shall be considered non-performing at the time that they become past due in accordance with existing BSP regulations, that is, the entire outstanding balance of the receivable shall be considered past due when the total amount of arrearages reaches 10.00% of the total receivable balance. Restructured receivables which do not meet the requirements to be treated as performing receivables shall also be considered as NPLs. As of December 31, 2016, 2017, 2018 and June 30, 2019, the Bank had a ratio of total allowance for credit losses to Gross NPLs of 80.19%, 100.56%, 103.31%, and 91.59%, respectively.

The Group classifies its loans and receivables as NPL in accordance with BSP regulations, or when, in the opinion of management, collection of interest or principal is doubtful. Loans and receivables are not reclassified as performing until interest and principal payments are brought current or the loans are restructured in accordance with existing BSP regulations and future payments appear assured. The following table sets out the secured and unsecured NPLs of the Bank:

	2016	As of December 31, 2017	2018	As of June 30, 2019 (Unaudited)
	(₱ millions)			
Secured	217.2	271.7	230.1	290.5
Unsecured	921.5	825.3	825.7	858.0
Total NPLs	1,138.6	1,096.9	1,055.8	1,237.8

Capital Expenditure

The Bank's material capital expenses from 2016 to 2018 are mostly due to its branch expansion and ATM deployments as aligned with its Roadmap 2020 Strategy. For the periods ended December 31, 2016, 2017, 2018 and June 30, 2019, the Bank's capital expenditure amounted to ₱235 million, ₱284 million, ₱369 million, and ₱110 million, respectively.

Insurance

The Bank's insurance policies cover its physical assets and properties against fire and other similar events. The Bank also ensures that its operational requirements are adequately insured. The Bank also set aside some cash reserves to self-insure some select assets. It believes that its insurance policies, inclusive of its self-insurance practice, as described above, are appropriate and sufficient for its business operations.

Properties

The Bank owns properties located in the Manila and Luzon areas. The net book value of these properties amounted to ₱67.6 million as of December 31, 2018 and ₱65.6 million as of June 30, 2019.

Competition

The Bank faces competition in all its principal areas of business, both from Philippine and foreign banks, as well as finance companies, mutual funds and investment banks. The Bank believes that offering diverse products and services, investing in technology, leveraging synergies within the JG Summit Group, as well as building on relationships with the Bank's other key customers, have allowed it to maintain its market position in the industry. The Bank believes its principal competitors are Bank of Commerce, Philippine Bank of Communications, and Maybank Philippines.

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

- Other large Philippine banking and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- Foreign banks, due to, among other things, relaxed foreign bank ownership standards permitting large foreign banks to expand their branch network through acquiring domestic banks;
- Ability of the Bank's competitors to establish new branches in Metro Manila due to the removal of the existing new branch license restriction scheme in 2014;
- Domestic banks entering into strategic alliances with foreign banks with significant financial and management resources; and
- Continued consolidation in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions.

Legal Proceedings

Neither Robinsons Bank, its subsidiary nor any of its affiliates has been involved in any governmental, legal or arbitration proceedings that may have or have had any material effect on Robinsons Bank's business, financial position or profitability and that Robinsons Bank is not aware of any facts likely to give rise to any proceedings which would materially and adversely affect business or operations.

MANAGEMENT, EMPLOYEES, AND SHAREHOLDERS

Board of Directors

The Board has general charge of all the properties, interest, business and transactions of the Bank, with power and authority to manage, direct, and supervise the same under its collective responsibility. The Board takes the lead in establishing the “tone at the top” that promote a strong risk management culture. The Bank has 11 Directors, five of whom are independent directors. The names, positions, and educational attainment of the Bank’s directors are set out below.

Name	Age	Citizenship	Position
Lance Y. Gokongwei	52	Filipino	Chairman
Frederick D. Go	50	Filipino	Vice-Chairman
Elfren Antonio S. Sarte	59	Filipino	President & CEO/Director
Robina Gokongwei-Pe	58	Filipino	Director
Patrick Henry C. Go	49	Filipino	Director
Omar Byron T. Mier	73	Filipino	Director
Roberto S. Gaerlan	67	Filipino	Independent Director
Hermogenes S. Roxas	68	Filipino	Independent Director
Angeles Z. Lorayes	70	Filipino	Independent Director
Esperanza S. Osmeña	69	Filipino	Independent Director
David C. Mercado	69	Filipino	Independent Director

LANCE Y. GOKONGWEI, Chairman of the Board

He serves as the Chairman of the Board of Directors, Chairman of the Executive Committee, and a member of the Trust Committee of the Bank. He is also the President, Director, and Chief Operating Officer (“COO”) of the JG Summit Holdings Inc. He likewise holds key positions in its major subsidiaries. He is the President and CEO of Cebu Pacific Air and Universal Robina Corporation, and CEO of JG Summit Petrochemical Corporation. Furthermore, he is the Chairman and CEO of the Robinsons Retail Holdings, Vice Chairman of Manila Electric Company, and Director of Oriental Petroleum & Minerals Corporation and United Industrial Corporation Limited.

In 2015, he was Institutional Investor’s Best CEO for Asia and he was also named Best CEO by Finance Asia.

He graduated Summa Cum Laude from the University of Pennsylvania’s Management and Technology Program with double degrees in Finance from Wharton School and Applied Sciences from the Penn Engineering School.

FREDERICK D. GO, Vice-Chairman

He is the Vice Chairman of the Board and also serves as the Vice Chairman of Executive Committee of the Bank. Presently, he is a Director of Universal Robina Corporation, the President, Director and COO of the Robinsons Land Corporation, Robinsons Realty and Management Corporation, Robinsons Properties Marketing & Management Corporation, and Robinsons Inn, Inc. Moreover, he is also the Chairman of the Philippine Retailers Association. He has a Bachelor of Science Degree in Management Engineering from the Ateneo de Manila University.

ELFREN ANTONIO S. SARTE, President and CEO/Director

He is the President, Director, and Chief Executive Officer of the Bank, and is a member of the Executive Committee, and Risk Management Committee. Moreover, he is the Vice-Chairman of Legazpi Savings Bank and the Chairman of its Executive Committee. Prior to joining the Bank in November 2014, he was the President, Director, and CEO of PNB Savings Bank (2013 to 2014); Consumer Finance Group Head (2013) and Head of Consumer Credit and Collection Division (2010 to 2013) of Philippine National Bank; and Head of Consumer Credit Risk Management Division (2006 to 2010), Credit Services Division (1996 to 2006) and Credit Investigation and Appraisal Division (1995 to 1996) of Union Bank of the Philippines. He was also a Manager at the Credit Information Bureau (1983 to

1985). He has a Bachelor of Science Degree in Industrial Management Engineering with minor in Mechanical Engineering from the De La Salle University.

He is currently one of the Directors of Bankers Association of the Philippines and BancNet.

ROBINA GOKONGWEI-PE, Director

She is the Chairman of the Bank's Trust Committee. She is also a Director of JG Summit Holdings, Inc., Robinsons Land Corp., CPAir Holdings, Inc., Unicon Insurance Brokers Corp., Itech Global Business Solutions, Inc., Summit Media Informatix Holdings, Inc., Batangas Agro-Industrial Development Corp., United Philippine Oil Trading, Inc., Tropical Aqua Resources, Inc., and Samar Commodities Trading and Industrial Corporation.

She is presently the Director, President, and COO of Robinsons Retail Holdings, Inc., South Star Drug, Inc., Robinsons Gourmet Food and Beverage, Inc., RRG Trademarks and Private Labels, Inc., RRHI Trademark Management, Inc., RHMI Management and Consulting, Inc., and RHD Daiso-Saizen, Inc. She also served as President of The Manila Times (1989 to 1998). She has a Bachelor of Arts Degree in Journalism from the New York University.

PATRICK HENRY C. GO, Director

He is the Vice-Chairman of the Bank's Trust Committee and a member of the Corporate Governance Committee. He is also the Director of JG Summit Holdings, Inc. and Robinsons Land Corporation.

He is currently the President and COO of JG Summit Petrochemical Corp (JGSPC) and JG Summit Olefins Corp. (JGSOC), as well as the Executive Vice President and Senior Managing Director of URC Packaging Division (BOPP) and CFC Flexible Packaging Division. He was also the General Manager of Litton Mills Inc. (1996-1997). He has a Bachelor of Science Degree in Management from the Ateneo de Manila University and took The General Manager Program from the Harvard Business School.

OMAR BYRON T. MIER, Director

He was appointed as a Director of the Bank in 2015. He also serves as the Vice-Chairman of the IT Steering Committee, as a member of the Risk Oversight Committee, alternate member of the Executive Committee, and Resource Person of the Audit Committee, the Corporate Governance Committee, and Related Party Transactions Committee. Mr. Mier is also the Chairman of Legazpi Savings Bank, the Bank's subsidiary, and is a member of its Risk Management Committee, Corporate Governance Committee, and Audit Committee. Before joining Robinsons Bank, he held around four decades of experience in the banking industry, including Citibank N.A., where he served as Country Risk Manager in Manila (1983 to 1985), Public Sector Group Head (1985 to 1987), Country Risk Officer in Malaysia (1992 to 1995), Head of Risk Management Group and World Corporate Group Head (1992 to 1995); Deutsche Bank, as Deputy General Manager and Corporate Banking Head (1995 to 2002); and Philippine National Bank (2005-2014), where he held various senior positions the last of which as President and CEO. He has a Bachelor of Science in Business Administration Major in Accounting, Bachelor of Arts in Economics and Master of Arts in Economics from the University of the Philippines. He is also a Certified Public Accountant.

ROBERTO S. GAERLAN, Independent Director

He is the Chairman of the Bank's Risk Oversight Committee, Vice-Chairman of the Corporate Governance Committee, and member of the Audit Committee. Mr. Gaerlan is also an Independent Director of Legazpi Savings Bank. He chairs LSB's Corporate Governance Committee, vice-chairs the Risk Management Committee, and is a member of the Audit Committee. His career in banking spans over three decades, working with First United Bank (1973 to 1979) and with United Coconut Planters Bank (1979 to 2003), where he became the Vice President for Branch Banking (2001 to 2003). He graduated with a Bachelor of Arts Degree in Economics from the University of Santo Tomas and Advanced Bank Management from the Asian Institute of Management.

HERMOGENES S. ROXAS, Independent Director

He is the Chairman of the Bank’s IT Steering Committee, Vice-Chairman of the Related Party Transactions Committee, and a member of the Bank’s Audit Committee. Mr. Roxas is also an Independent Director of Legazpi Savings Bank. He chairs the subsidiary’s Audit Committee, Vice-Chairman of the Corporate Governance Committee, and a member of its Risk Management Committee. He has more than three decades of experience in banking and has held various senior positions at Commercial Banking & Trust Company and United Coconut Planters Bank and its subsidiaries. He was also the President of UCPB Savings Bank; a Director at UCPB Leasing & Finance Corp., UCPB Foreign Exchange Corp., UCPB Capital Corp., UCPB Rural Bank, and UCPB Securities Inc. He has a Bachelor of Science degree in Business Administration from the University of the Philippines.

ANGELES Z. LORAYES, Independent Director

She is the Chairman of the Bank’s Corporate Governance Committee, Vice-Chairman of the Audit Committee, and a member of the RPT Committee. She honed her banking career in Citibank as Head of Financial Analysis and Engineering (1971 to 1978). She also headed the Credit Policy and Supervision at Equitable PCI Bank (1978 to 2000) and Philippine National Bank (2005 to 2010). She has a degree in Business Administration from the University of the Philippines and earned MBA units at the Ateneo Graduate School of Business.

ESPERANZA S. OSMEÑA, Independent Director

She is the Chairman of the Bank’s RPT Committee, Vice-Chairman of the Risk Oversight Committee, and a member of the Corporate Governance Committee and Trust Committee. She has held various senior positions at Asian Savings Bank (1984-1987) and Equitable PCI bank and its subsidiaries (1988-2000). She was Executive Vice President at Equitable PCI Bank (1998-2000), and was Director at PCI Capital Inc., PCI Leasing Inc., PCI Insurance Brokers Inc., and Bankard Inc (1988-1999). She graduated with a Bachelor of Arts degree in Commerce from the Colegio de Santa Anna in Zaragoza, Spain.

DAVID C. MERCADO, Independent Director

He is the Chairman of the Audit Committee, and a member of the RPT Committee, and Risk Oversight Committee. He has more than three decades of experience in banking and has held various senior positions in Allied Banking Corporation and United Coconut Planters Bank. At UCPB, he became Assistant Vice President- Account Management Division (1986 to 1987), Assistant Vice President - Deposit Services Department (1987 to 1993), Vice President and Regional Branch Head (1993 to 2004), Vice President and Head of Branch Banking Group (2004 to 2006) and lastly, as First Vice President of Consumer Banking Group (2006 to 2011). He earned his Business Administration degree from the Philippine School of Business Administration.

Senior Advisory Board

Name	Age	Citizenship	Position
James L. Go	80	Filipino	Member
Johnson Robert G. Go, Jr.	54	Filipino	Member
Brian M. Go	44	Filipino	Member
Lisa Y. Gokongwei-Cheng	50	Filipino	Member

JAMES L. GO, Member

He joined Robinsons Bank as Senior Board Adviser starting on August 24, 2016. He had years of experience in banking and had been a director of major Philippine banks. He is currently the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and Oriental Petroleum and Minerals Corporation. He is also the Chairman of Robinsons Land Corporation, Universal Robina Corporation, JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a director of Cebu Air, Inc., Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine

Long Distance Telephone Company (“PLDT”) since November 3, 2011. He is a member of the Technology Strategy Committee and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

JOHNSON ROBERT G. GO, JR., Member

He presently serves as Director of JG Summit Holdings, Inc., Universal Robina Corporation and Robinsons Land Corporation, among others. He has served as President of Robinsons Convenience Stores, Inc. (2002) and as Vice President of Robinsons Daiso Diversified Corp. (2010). He was a director of Robinsons Bank Corporation. He earned his Bachelor of Arts in Interdisciplinary Studies degree from the Ateneo de Manila University.

BRIAN M. GO, Member

He is the Finance Director of JG Summit China Operations (since 2003). After obtaining a degree in Economics from the Harvard University, he started his career as consultant in Booz Allen & Hamilton (1996 to 1997) and Robinsons Retail Group (1998). He also became the Head of Corporate Planning in Digitel Telecommunications Phils., Inc. (1998 to 2002). Afterwards, he became Managing Director at Digitel One (2002); then as Chief Finance Officer at Ding Feng Real Estate (2003); He served as General Manager at Universal Robina Corporation (URC) – China (2007).

LISA Y. GOKONGWEI-CHENG, Member

She is the President and Director of Summit Media (2011 to present). She has held various senior positions and directorships in the group namely: Summit Internet Investments, Inc. (2000), Jobstreet Philippines (2000 to present), JE Holdings, Inc. (2002), Robinsons Retail Holdings, Inc. (2002 to present), Itech Global Business Solutions, Inc. (2010), Hongkong- China Foods Co. (2013), and as Vice-President and Director of Summit- App Addictive Philippines, Inc. (2000). She was also Vice President at Metromedia Times Corporation (1993 to 1997) and Digital Communications as Project Manager (1995 to 1999). She has a Bachelor of Arts degree from Ateneo de Manila University, and obtained her master’s degree in Journalism at Columbia University in 1993.

Key Executive Officers

The Key Executive Officers (“Executive Officers”) of the Bank, subject to control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board of Directors.

The Executive Officers are appointed or elected by the Board of Directors at the organizational meeting following the stockholders’ meeting, each to hold office for a period of one (1) year. The Board may, from time to time, appoint such other Executive Officers as it may determine to be necessary or proper.

The following is a list of the Bank’s Executive Officers as of the date of this Offering Circular:

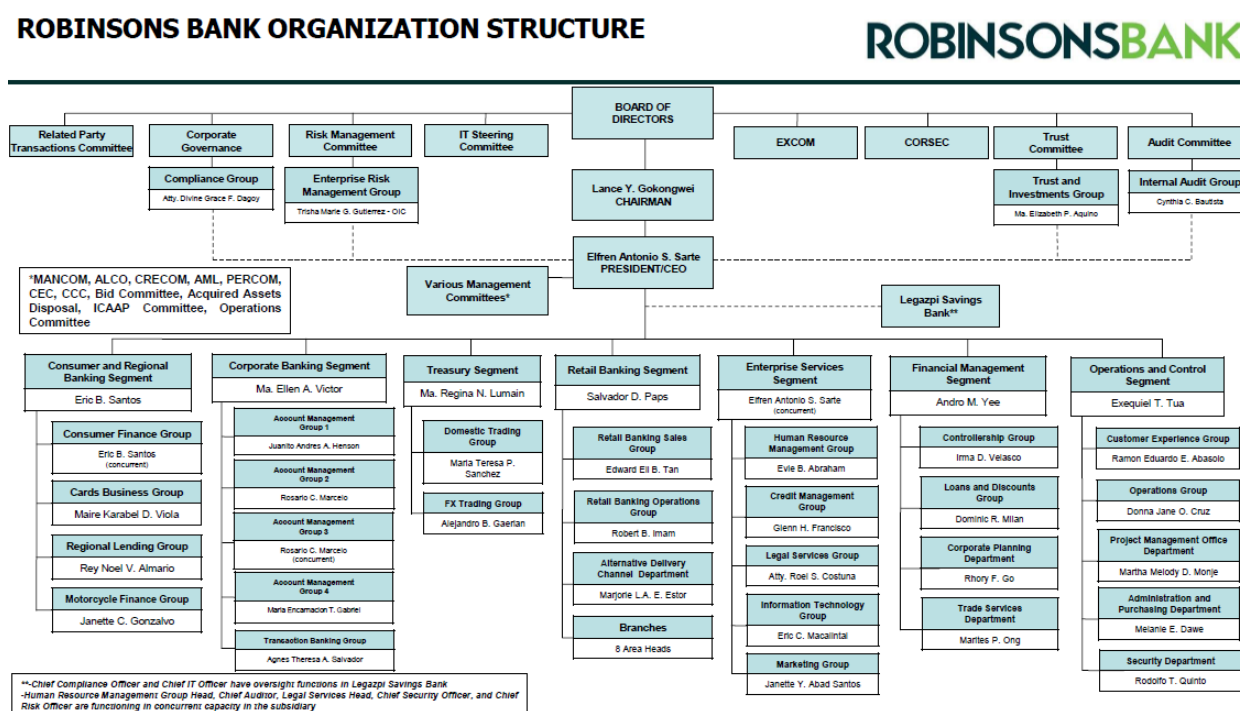
Name	Age	Citizenship	Position
Elfren Antonio S. Sarte	59	Filipino	President and CEO
Exequiel T. Tua	62	Filipino	Senior Vice President, Chief Operating Officer and Operations and Control Segment Head
Eric B. Santos	60	Filipino	Executive Vice President, Consumer and Regional Banking Segment Head
Mykel D. Abad	51	Filipino	Executive Vice President, President of Legazpi Savings Bank

Name	Age	Citizenship	Position
Ma. Regina N. Lumain	57	Filipino	Executive Vice President, Treasurer and Treasury Segment Head
Andro M. Yee	54	Filipino	Executive Vice President/Chief Financial Officer and Financial Management Segment Head
Ma. Ellen A. Victor	62	Filipino	Senior Vice President, Corporate Banking Head
Salvador DH. Paps	56	Filipino	Senior Vice President, Retail Banking Segment Head
Atty. Roel S. Costuna	50	Filipino	Senior Vice President, Legal Services Group Head and Corporate Secretary
Evie B. Abraham	67	Filipino	Senior Vice President, Human Resources Management Group Head
Eric C. Macalintal	55	Filipino	Senior Vice President, Chief Information Technology Officer
Ramon Eduardo E. Abasolo	56	Filipino	Senior Vice President, Customer Experience Group Head
Juanito Andres A. Henson	54	Filipino	Senior Vice President, Account Management Group 1 Head
Rosario C. Marcelo	49	Filipino	Senior Vice President, Account Management Group 3 Head
Agnes Theresa A. Salvador	58	Filipino	Senior Vice President, Transaction Banking Group Head
Maria Teresa Ponce-Sanchez	56	Filipino	Senior Vice President, Domestic Trading Group Head
Alejandro B. Gaerlan	45	Filipino	Senior Vice President, FX Trading Group Head
Janette C. Gonzalvo	48	Filipino	Senior Vice President, Motorcycle Finance Group Head
Irma D. Velasco	49	Filipino	First Vice President, Controller
Cynthia C. Bautista	52	Filipino	First Vice President, Chief Audit Officer
Maire Karabel D. Viola	46	Filipino	First Vice President, Cards Business Group Head
Pia Marie M. Santos	47	Filipino	First Vice President, Home Loans Division Head
Eduardo E. Orozco	58	Filipino	First Vice President, Auto Loans Department Head
Glenn H. Francisco	47	Filipino	First Vice President, Credit Management Group Head
Ma. Elizabeth P. Aquino	59	Filipino	First Vice President, Trust and Investment Officer Group Head
Divine Grace F. Dagoy	46	Filipino	Vice President, Chief Compliance Officer
Edward Eli B. Tan	45	Filipino	First Vice President, Retail Banking Sales Group Head
Robert B. Imam	47	Filipino	First Vice President, Retail Banking Operations Group Head
Dominic R. Milan	63	Filipino	Vice President, Loans and Discount Group Head
Rhory F. Go	39	Filipino	Vice President, Corporate Planning Department Head
Janette Y. Abad Santos	50	Filipino	Vice President, Marketing Group Head
Rey Noel V. Almario	44	Filipino	Vice President, Regional Lending Group Head

Name	Age	Citizenship	Position
Cherre S. Estrellado	48	Filipino	Vice President, Small Business Loan, Personal Loan Program, and mSME Department Head
Donna O. Cruz	48	Filipino	Assistant Vice President, Operations Group Head
Martha Melody D. Monje	40	Filipino	Vice President, Project Management Office Department Head
Trisha Marie Gerette B. Gutierrez	51	Filipino	Vice President, Enterprise Risk Management Group Officer in Charge
Marites P. Ong	48	Filipino	Assistant Vice President, Trade Services Department Head
Rodolfo T. Quinto	59	Filipino	Assistant Vice President, Chief Security Officer

Organizational Structure

The figure below shows the Bank's organizational chart as of January 1, 2019.



The organization structure of the Bank beginning 2019 has increased from 6 Segments to 7 Segments to align with the plans of the Bank in expanding its thrust and embarking on new products and digital initiatives. The segments are Consumer and Regional Banking Segment, Corporate Banking Segment, Treasury Segment, Retail Banking Segment, Enterprise Services Segment, Financial Management Segment, and Operations and Control Segment.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the members of the Bank's Board nor its Executive Officers has been convicted in any criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to the date of this Offering Circular.

Employees

As of June 30, 2019 the Bank employed 2,121 employees broken down as follows:

	As of June 30, 2019
Senior Officers	112
Junior Officers	771
Rank and File	1,238
TOTAL	2,121

The Bank implemented various learning and development programs. Courses were designed to build and enrich the competence and character of the employees and to prepare them for higher positions and managerial roles. The Bank also sponsored participation of officers in relevant external training offered by reputable training firms and learning organizations.

PRINCIPAL SHAREHOLDERS

There has been no material change regarding control of the Bank and its relationship with the JG Summit Group since December 31, 2018, 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 of June 30, 2019:

	Name of Shareholder	Number of Shares	Percentage of Holdings
1	JG Summit Capital Services Corporation	899,986,468	60%
2	Robinsons Retail Holdings, Inc.	599,988,780	40%
	TOTAL PRINCIPAL SHAREHOLDERS	1,499,975,248	100%

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 capital stock of the Bank.

The following table contains a summary of the effective holdings of the JG Summit Group as June 30, 2019:

	Name of Shareholder	Number of Shares	Percentage of Holdings
1	JG Summit Capital Services Corporation	899,986,468	60%
2	Robinsons Retail Holdings, Inc.	599,988,780	40%
	TOTAL JG Summit Group	1,499,975,248	100%

TAXATION

The following is a general description of certain Philippine tax aspects relating to the Bonds. This discussion is based on the laws, regulations, and administrative rulings in force in the Philippines as at the date of this Offering Circular and is subject to any changes in law or regulation occurring after such date, which changes can be made on a retroactive basis. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own, or dispose of the Bonds. 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 ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES 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.

Taxation of Interest Income

On January 1, 2018, the Philippine National Internal Revenue Code, was amended by TRAIN (the "Tax Code, as amended"). 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 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 –	30%

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.

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 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. For this purpose, a tax exemption certificate or ruling shall be deemed “valid, current and subsisting” if it has not been more than 3 years since the date of issuance thereof;

(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, (1) certificate of tax residence issued for the current year (whether using the form prescribed in their country of residence, or using Part I (D) of the Certificate of Tax Residence for Tax Treaty Relief (“CORTT”) Form prescribed under Revenue Memorandum Order No. 8-2017), and (2) duly accomplished CORTT Form (particularly Part I (A), (B) and (C), and Part II (A), (B), (C) and (D)); and

(e) 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 Bond Registry 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.

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 January 1, 2018 until December 31, 2022:

Not over P 250,000	0%
Over P 250,000 but not over P 400,000	20% of the excess over P 250,000
Over P 400,000 but not over P 800,000	P 30,000 + 25% of the excess over P 400,000
Over P 800,000 but not over P 2,000,000	P 130,000 + 30% of the excess over P 800,000
Over P 2,000,000 but not over P 8,000,000	P 490,000 + 32% of the excess over P 2,000,000
Over P 8,000,000	P 2,410,000 + 35% of the excess over P 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 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 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 30% income tax. 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 subject to a 30% 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.

Any gains realized by non-residents 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.

Documentary Stamp Taxes

The Tax Code imposes a documentary stamp tax on all bonds, loan agreements and promissory notes at the rate of P1.50 on every P200.00, or fractional part thereof, of the face value of such securities provided that, for debt instruments with terms of less than one year, the documentary stamp tax collected shall be proportionate to the ratio of the number of days of the term of the instrument to 365 days. The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. The Bank has undertaken to pay the documentary stamp tax on the issuance of the Bonds.

There is currently no documentary stamp tax due on a subsequent sale or disposition of the Bonds.

Value-Added Tax / 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.

Estate and Donor's Tax

Beginning January 1, 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 January 1, 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, whether the donor is a stranger to the donee or not.

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 their particular situation. This Offering Circular does not discuss the tax considerations on such non-resident holders under laws other than those of the Philippines.

THE PHILIPPINE BANKING INDUSTRY

The following is a general discussion of the Philippine Banking Industry. It is based on the laws, regulations and administrative rulings in force as at the date of this Offering Circular and is subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. It does not purport to be a comprehensive description of all of the aspects of the industry that may be relevant to a decision to purchase, own or dispose of the Bonds. Prospective purchasers should consult their advisors as to the consequences of acquiring, holding and disposing of the Bonds.

The banking industry in the Philippines is composed of universal banks, commercial banks, savings banks, savings and mortgage banks, private development banks, stock savings and loan associations, rural banks and cooperative banks.

According to statistics published on the official website of the BSP, as of July 1, 2019, the commercial sector consisted of 46 universal and commercial banks, of which 21 were universal banks and 25 were commercial banks. Of the 21 universal banks, 12 were private domestic banks, three were Government banks, and six were branches of foreign banks. Of the 25 commercial banks, five were private domestic banks, two were subsidiaries of foreign banks, and 18 were branches of foreign banks. As of March 27, 2019, the 46 universal and commercial banks had a total of 6,614 branches.

Commercial banks have all the general powers incident to corporations and all powers that may be necessary to carry on the business of commercial banking, such as the power to accept drafts and to issue letters of credit, to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of indebtedness, accept or create demand deposits, receive 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, invest in the equity of business not related to banking and own up to 100.0% of the equity in a thrift bank, a rural bank, or financial allied enterprise. A publicly listed universal or commercial bank may own up to 100.0% 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 secured or unsecured loans, or in financing for home building and home development, in readily marketable debt securities, in commercial paper and accounts receivable, 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, housing and other financial and allied services for its chosen market and constituencies, especially for small and medium-sized enterprises and individuals. As of July 1, 2019, there were 51 thrift banks in the Philippines.

Rural banks are organized primarily to make credit available and readily accessible in the rural areas on reasonable terms. Loans and advances extended by rural banks are primarily for the purpose of meeting the normal credit needs of farmers and fishermen, as well as the normal credit needs of cooperatives and merchants. As of July 1, 2019, there were 457 rural banks in the Philippines.

Specialized Government banks are organized to serve a particular purpose. The existing specialized banks are the Development Bank of the Philippines (“DBP”), Land Bank of the Philippines (“Land Bank”), and Al-Amanah Islamic Investment Bank of the Philippines (“AAIIB”). DBP was organized 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. Land Bank primarily provides financial support in all phases of the Philippines’ agrarian reform program. In addition to their special functions, DBP and Land Bank are allowed to operate as universal banks. AAIIB was organized to promote and accelerate the socio- economic development of the Autonomous Region of Muslim Mindanao through banking, financing, and investment operations as well as to establish and participate in agricultural, commercial, and industrial ventures based on Islamic banking principles and rulings.

During the past fifteen years, the Philippine banking industry has been marked by two major trends - the liberalization of the industry, and mergers and consolidation. The entry of foreign banks in the industry was liberalized in 1994,

enabling foreign banks to invest in up to 60.0% 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. The General Banking Law further liberalized the industry by providing that the Monetary Board may authorize foreign banks to acquire up to 100.0% of the voting stock of one domestic bank within seven years from the effectivity of said law on June 13, 2000 or until June 13, 2007. Within the same period, the Monetary Board may authorize a foreign bank, which had availed of the privilege of acquiring up to 60.0% of the voting stock of a domestic bank prior to June 13, 2000 to further acquire voting shares of such bank to the extent necessary for it to own 100.0% of the voting stock thereof.

On July 15, 2014, President Benigno S. Aquino III signed into law Republic Act No. 10641 or “An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721.” Under Republic Act No. 10641, established, reputable, and financially sound foreign banks may be authorized 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 one hundred percent (100%) of the voting stock of an existing bank; (b) by investing in up to one hundred percent (100%) of the voting stock of a new banking subsidiary incorporated under the laws of the Philippines; or (c) by establishing 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 60.0% of the resources or assets of the entire banking system is held by domestic banks, which are majority-owned by Filipinos.

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. The BSP has since offered various incentives to merging or consolidating banks, the most recent of which is Memorandum No. M-2016-023 dated December 21, 2016, providing the following list of sample incentives:

- a. Revaluation of premises, improvements, and equipment;
- b. Staggered booking of unbooked valuation reserves over a maximum period of 5 years;
- c. Temporary relief from compliance with CAR and/or maximum period for amortization of goodwill;
- d. Conversion/upgrading of head offices, branches, and other offices;
- e. Condonation of liquidated damages/penalties on loan arrearages to the BSP;
- f. Relocation of branches/offices within 1 year in cases of duplication of branches in certain areas;
- g. Installment payment of outstanding penalties in legal reserve deficiencies and interest on overdrafts with the BSP over a 1-year period;
- h. Reasonable period to comply with real estate loan limits;
- i. Restructuring past due obligations with BSP over a 10-year period;
- j. Concurrent officership between a merged or consolidated bank or financial institution (FI) and another bank/FI, and concurrent directorship between banks; and
- k. Continued effectivity of right or privilege under a rehabilitation program or any special authority granted by the Monetary Board.

Based on BSP data, since the first package of incentives took effect in September 1998, there have been at least 49 mergers, acquisitions, and consolidations of banks. However, while recent mergers increased market concentrations,

BSP studies show that these were not enough to pose a threat to the overall competition levels in the industry since market share is still well-dispersed among the remaining players.

The BSP issued Circular No. 839 Series of 2014 dated June 27, 2014 which adopts a prudential REST limit for U/KBs, TBs on a solo and consolidated basis on their aggregate real estate exposures. The REST limit combines macroprudential 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 UBs/KBs are 6% of CET 1 capital ratio and 10% of risk based capital adequacy ratio, on a solo and consolidated basis, under the prescribed write-off rate. For TBs, the prudential REST limits which shall be complied with at all times are 6% of CET1 capital, for TBs that are subsidiaries of UBs/KBs, 6% of Tier 1 capital, for stand-alone TBs, and 10% of risk-based capital adequacy ratio for all TBs.

The BSP issued Circular No. 989 dated January 4, 2018 which imposed the Guidelines on the Conduct of Stress Testing Exercises. The BSP issued the stress testing guidelines as part of its continuing initiatives to further strengthen risk governance and contribute to the sustained safety and soundness of the Philippine banking industry. Circular No. 989 provides that the bank's 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 D-SIBs, in developing recovery plans. Banks are expected to employ a combination of different approaches for stress testing. Methodologies may range from simple sensitivity analysis to the more complex tools, such as scenario analysis and reverse stress testing. The guidelines are applicable to all types of banks on both a standalone and consolidated basis. Banks that are part of group structures should conduct stress testing exercises on a consolidated basis or at the parent bank's level, covering all institutions considered as material entities in the banking group. The BSP has provided banks a period of two years from the effectivity date of Circular No. 989 to progress from their existing stress testing practices to the standards expected under Circular No. 989.

On October 29, 2014, the BSP issued Circular No. 854 which increased the minimum capital requirement for all bank categories, namely, 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	Existing Minimum Capitalization	Reviewed Minimum Capitalization
Universal Banks	₱ 4.95 billion**	₱ 3.00 billion 6.00 billion 15.00 billion 20.00 billion
Head Office only		
Up to 10 branches *		
11 to 100 branches*		
More than 100 branches*		
Commercial Banks	2.40 billion**	2.00 billion 4.00 billion 10.00 billion 15.00 billion
Head Office only		
Up to 10 branches*		
11 to 100 branches*		
More than 100 branches*		
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

Bank Category/Network Size	Existing Minimum Capitalization	Reviewed Minimum Capitalization
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**	
1 st to 4 th class municipalities	10 million**	
5 th to 6 th class municipalities	5 million**	
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 3 rd Class Municipalities)		
Head Office only		
Up to 10 branches*		20 million
11 to 50 branches*		30 million
More than 50 branches*		40 million
More than 50 branches*		80 million
Head Office in All Other Areas Outside NCR (4 th to 6 th Class Municipalities)		
Head Office only		
Up to 10 branches*		10 million
11 to 50 branches*		15 million
More than 50 branches*		20 million
More than 50 branches*		40 million

* Inclusive of Head Office

** With no distinction for network size

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 licences to operate in the Philippines. Such foreign banks have generally focused their operations on 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 January 21, 2016, the Monetary Board approved the phased lifting of the moratorium on the grant of new banking licence or establishment of new domestic banks. The moratorium on the establishment of new domestic banks and locational restrictions shall be fully liberalised beginning on January 1, 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 of December 31 2018, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 82.74% of total assets and 83.62% 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 of December 31, 2018, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 67.14% of the net customer loan portfolio of the Philippine banking system, based on published statements of condition.

Republic Act No. 10667 (the “Philippine Competition Act”) was signed into law on July 21, 2015 and took effect on August 8, 2015. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The Philippine Competition Act was enacted to provide free and fair competition in trade, industry, and all commercial economic activities. It prohibits anti-competitive agreements between or among competitions, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition, and practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry or prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers or the same goods, subject to exceptions. To ensure free and fair competition, the Philippine Competition Act requires parties to a merger or acquisition to provide notification to the Philippine Competition Commission if the transaction meets certain thresholds.

BANKING REGULATIONS AND SUPERVISION

The following description is a summary of certain sector specific laws and regulations in the Philippines which are applicable to the Bank. The information detailed in this chapter has been obtained from publications available in the public domain. The 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.

General

The New Central Banking Act of 1993 (Republic Act No. 7653) and the General Banking Law of 2000 (Republic Act No. 8791) vest the Monetary Board of the BSP with the power 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 of the BSP.

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 or such other factors as determined by the Monetary Board.

The power of supervision of the BSP under the General Banking Law includes the issuance of rules of conduct or standards of operation for uniform application, conduct examination to determine compliance with laws and regulations, to 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.

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. In addition to the general laws such as the General Banking Law and Republic Act No. 9160 or the Anti-Money Laundering Act of 2001, as amended (“AMLA”), among others, banks must likewise comply with letters, circulars and memoranda issued by the BSP some of which are contained in the New Digital Manual of Regulations for Banks (“MORB”).

On December 19, 2018, the Monetary Board adopted the MORB as of December 31, 2017. The MORB is the principal source of rules and regulations that must be complied with by banks and other entities under the supervision of the BSP in the Philippines. The MORB contains regulations applicable to universal banks, commercial banks, thrift banks, rural banks, and non-bank financial intermediaries performing quasi-banking functions. These regulations include those relating to the organization, management and administration, deposit and borrowing operations, loans, treasury and money market operations, and trust and other fiduciary functions. Supplementing the MORB are rules and regulations disseminated through various circulars, memoranda, circular letters and other directives issued by the Monetary Board of the BSP.

The MORB and other regulations are principally implemented by the Supervision and Examination Sector (the “SES”) of the BSP. The SES is responsible for monitoring the observance of applicable laws and rules and regulations by banking institutions operating in the Philippines (including Government banks and their subsidiaries and affiliates, 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 the Savings and Loan Association Act (Republic Act No. 3779), and pawnshops under the Pawnshop Regulation Act (Presidential Decree No. 114)).

Permitted Activities

A commercial bank, such as the Bank, in addition to the general powers incidental to corporations, has the authority to exercise all such powers as may be necessary to carry on the business of commercial banking, such as accepting drafts and issuing letters of credit; discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; accepting or creating demand deposits; receiving other types of deposits and deposit substitutes; buying and selling foreign exchange and gold or silver bullion; acquiring marketable bonds and other debt securities; and extending credit, subject to such rules as the Monetary Board may promulgate. These rules may include the determination of bonds and other debt Securities eligible for investment, the maturities and aggregate amount of such investment. It may also exercise or perform any or all of the following: (i) invest in the equities of allied enterprises as provided in Sections 31 and 32 of the General Banking Law; (ii) purchase, hold, and convey real estate as specified under Sections 51 and 52 of the General Banking Law; (iii) receive in custody funds, documents, and valuable objects; (iv) act as financial agent and buy and sell, by order of and for the account of its customers, shares, evidences of indebtedness, and all types of securities; (v) make collections and payments for the account of others and perform such other services for their customers as are not incompatible with banking business; (vi) upon prior approval of the Monetary Board, act as managing agent, adviser, consultant or administrator of investment management/advisory/consultancy accounts; (vii) rent out safety deposit boxes; and (viii) engage in quasi-banking functions.

In addition to those functions specifically authorized 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 and (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. 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 bank.

Regulations

The MORB and various BSP regulations impose the following restrictions on commercial, universal, and savings banks.

Minimum Capitalization

Pursuant to the General Banking Law, no entity may operate as a bank without the permit of the BSP through the Monetary Board. The 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.

In accordance with BSP Circular No. 854 dated October 29, 2014, 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, ₱15 billion for head office with 11 to 100 branches, and those with more than 100 branches are required to have capital accounts of at least ₱20.0 billion. 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, ₱10 billion for head office with 11 to 100 branches, and those with more than 100 branches, such as the Bank, are required to have capital accounts of at least ₱15.0 billion, while thrift banks with a 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, ₱1 billion for head office with 11 to 100 branches, and those with more than 50 branches are required to have capital accounts of at least ₱2.0 billion. These minimum levels of capitalization may be changed by the Monetary Board of the BSP from time to time.

On December 28, 2018, the BSP issued Circular No. 1027 approving the amendments to the guidelines on the computation of required capital. Under the revised guidelines, capital shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the unimpaired paid-in capital, surplus, and undivided profits. Deposits for stock subscription recognized as equity pursuant to Section X128 of the MORB shall be added to capital. The following on the other hand shall be deducted from capital: (1) treasury stock; (2) unbooked allowance for probable losses; (3) total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders, and their related interests granted by the bank proper; (4) total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries; (5) total outstanding loans, other credit accommodations and guarantees granted to related parties that are not at arm's length terms as determined by the appropriate supervising department of the BSP; (6) deferred tax assets that rely on future profitability of the bank to be realized, 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 of the resulting figure is a net deferred tax liability, such excess cannot be added to net worth; (f) reciprocal investment in equity of other bank/enterprises, whether foreign or domestic, the deduction shall be lower of the investment of the bank or the reciprocal investment of the other bank or enterprise; and (8) in the case of rural banks/cooperative banks, the Government counterpart equity, except those arising from conversion of arrears under the BSP rehabilitation programme.

Under Republic Act No. 10641, the Monetary Board was authorised to issue such rules and regulations as may be needed to implement the provisions of Republic Act No. 10641. On November 6, 2014, the Monetary Board issued

Resolution No. 1794 providing for the implementing rules and regulations of Republic Act No. 10641 and on November 21, 2014, the BSP issued Circular No. 858, amending the relevant provisions of the MORB, accordingly.

The stockholders of 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 for government funds;
- Minimum capitalisation requirement and risk-based capital ratios as provided under applicable and existing capital adequacy framework;
- Capital conservation buffer requirement as defined in Appendix 59, Part III of the MORB, for UBs/KBs, and their subsidiary banks for QBs;
- Higher loss absorbency (HLA) requirement, phased-in starting January 1, 2017 with full implementation by January 1, 2019, in accordance with D-SIB Framework as provided under Subsec.X128 of the MORB, for UB/KBs, and their subsidiary banks and QBs that are identified as D-SIBs; 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 sector, as may be applicable, upon recommendation of the appropriate supervising department of the BSP. For this purpose, “Major acts or omissions” is defined as bank individual failure to comply with the requirements of banking laws, rules and regulations as well as Monetary Board directives having material impact on bank capital, solvency, liquidity or profitability, and/or those violations classified as major offenses under the Report of Examination, except those classified under unsafe or unsound practice.

Banks are required to ensure compliance with the minimum capital requirements and risk-based capital ratios even after the dividend distribution.

Restrictions on Branch Opening

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 of the BSP, to use any or all of its branches as outlets for the presentation and/or sale of financial products of its allied undertakings or investment house units.

Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Once approved, a branch should be opened within six months from the date of approval (extendible for another six-month period, upon the presentation of justification therefor). Branching policy and guidelines under the MORB were amended by BSP Circular No. 759, issued on May 30, 2012, providing, among others that banks may establish as many branches as its Qualifying Capital can support taking into account any approved but unopened branch/es outstanding at the time of application. Approved branches shall be opened within one year from the date of approval thereof, subject to extension on a case-to-case basis, but in no case to exceed three years, while approved while approved Other Banking Offices (“OBOs”) shall be opened within one year from date of approval thereof, which shall not be subject to any extension. Requirements for opening of branches / OBOs were also rationalized.

Pursuant to BSP Circular No. 505, issued on December 22, 2005, banks were allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Parañaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. Note, however, that under BSP Circular No. 728 (2011), the restrictions on establishment of branches have been fully lifted as of July 1, 2014, subject to certain requirements. BSP Circular No. 759 liberalized 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. It permitted a bank to establish as many branches as its qualifying capital can support in accordance with existing rules. 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.

Under the first phase, second-tier universal and commercial banks with capital accounts of at least P 10 billion and thrift banks with capital of at least P 3 billion that have less than 200 branches in restricted areas as of December 2010 were allowed to apply and establish branches in these restricted areas until June 30, 2014. The second phase of the current liberalization approach, which started on July 1, 2014 wherein branching in the restricted areas was opened up to all banks except rural and cooperative banks that are not allowed to establish branches in Metro Manila. Currently, in accordance with BSP Circular No. 932 (2016), as a general rule, all banks, including rural and cooperative banks, are allowed to establish branches anywhere in the Philippines, including in cities previously considered as restricted areas.

BSP Circular No. 728 provides that under the first phase, second-tier universal and commercial banks with capital accounts of at least ₱10.00 billion and thrift banks with capital of at least ₱3.00 billion that have less than 200 branches in restricted areas as of December 2010 would be allowed to apply and establish branches in these restricted areas until June 30, 2014. The second phase of the current liberalization approach started on July 1, 2014 wherein branching in the restricted areas will be opened up to all banks except rural and cooperative banks that are not allowed to establish branches in Metro Manila.

At present, pursuant to BSP Circular No. 932 (2016), all banks, including rural and cooperative banks, as a general rule are now allowed to establish branches anywhere in the Philippines, including in cities previously considered as restricted areas.

Branches of microfinance-orientated banks, microfinance-orientated branches of regular banks and branches that will cater primarily to the credit needs of BMBEs 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 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. It permitted a bank to establish as many branches as its qualifying capital can support in accordance with existing rules.

Establishment of Branch-lite Units

In order to promote greater access to efficient and competitive banking services through the adoption of proportionate regulatory framework that provides banks with flexibility to execute their strategies and enables them to innovate in line with their business model, the BSP issued BSP Circular No. 987 (s. 2017), which provides for the guidelines on the establishment relocation, voluntary closure and sale of of branch-lite units of domestic banks, including locally incorporated subsidiaries of foreign banks. A branch-life unit refers to any permanent office or place of business of a bank, other than its head office or a branch. A branch-lite unit performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

Regulations with respect to management of banks

On August 22, 2017, the BSP issued 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.

On the same date, the BSP also issued 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.

Capital Adequacy Requirements

The Philippines adopted capital requirements based on the Basel Capital Accord in July 2001.

In July 2001, the Philippines adopted capital requirements based on the Basel Capital Accord. BSP Circular No. 538, which took effect on July 1, 2007, serves as the implementing guideline of the revised International Convergence of Capital Measurement and Capital Standards known as Basel II.

In December 2010, a new update to the Basel Accords, known as the Basel III regulations, was issued by the BCBS containing new standards that modify the structure of regulatory capital. It included more stringent definitions of Tier 1 capital and Tier 2 capital instruments relating to their ability to absorb losses, 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 impact of these reforms, if implemented fully per the Basel Committee’s guidance, will be to increase the minimum quantity and quality of capital which the Bank will be obliged to maintain. The reforms were implemented beginning in January 1, 2014. To align with the international standards, the BSP has adopted the BCBS’ 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 issued on January 10, 2011.

On January 15, 2013, the BSP published Circular No. 781, and on December 6, 2018, Circular 1024, which prescribed the implementing guidelines on the risk-based capital adequacy framework and the adoption of a CCyB, in accordance with the Basel III standards. The risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, will be required to be not less than 10% on an unconsolidated basis and consolidated basis. Banks will also be required to maintain a CET1 ratio and a Tier 1 capital ratio of 6.0% and 7.5%, respectively. A capital conversion buffer of 2.5% and a countercyclical capital buffer of 0%, subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant, but not to exceed 2.5%, shall also apply. Any increase to the countercyclical buffer shall have a preannouncement period of twelve months, while any reductions on such buffer are to take effect immediately.

On February 15, 2013, BSP Circular No. 786 was issued, which prescribed risk disclosure requirements on loss absorbency features of capital instruments. Later, through BSP Memorandum No. M-2013-008, the BSP clarified that such requirements apply in relation to all prospective investors.

BSP Circular No. 826, which was passed on February 14, 2014, amended BSP Circular No. 786 by providing for separate provisions for capital instruments marketed, sold, and/or distributed in the Philippines, and capital investments issued offshore. Through the aforementioned issuances, the BSP aimed to uphold investor protection through enhanced disclosure and transparency through the following requirements imposed upon the banks/quasi-banks for Additional Tier 1 and Tier 2 capital investments issued or to be issued in the Philippines: (i) subjecting investors to a client suitability test, (ii) providing the appropriate risk disclosure statement for the issuance of the capital instruments; (iii) securing written certifications from the investors; and (iv) making these available to the BSP,

as may be required. For offshore issuances of Additional Tier 1 and Tier 2 capital investments, the risk disclosure requirements will be governed by the applicable rules and regulations of the country where the instruments were issued. However, for the subsequent sale and/or distribution of Additional Tier 1 and Tier 2 capital instruments in the Philippines originally issued overseas, the risk disclosure requirements for issuance in the Philippines will apply.

On October 29, 2014, the BSP issued Circular No. 856, or the “Implementing Guidelines on the Framework for Dealing with Domestic Systemically Important Bank under Basel III”. Under the Circular, the BSP adopts policy measures for D-SIBs, which are essentially aligned with the documents issued by the BCBS on global systematically important banks and D-SIBs. The policy aims to reduce the probability of failure of D-SIBs by increasing their going-concern loss absorbency and to reduce the extent or impact of failure of D-SIBs on the domestic/real economy. This is an added effort to further strengthen the domestic financial market and to remove the possibility that publicly funded bailouts will be required in the future to save the D-SIBs from insolvency.

The categories for D-SIBs are measured in terms of the domestic bank’s or financial institution’s size interconnectedness, substitutability or financial institution infrastructure and its complexity. Banks that are identified as D-SIBs are required to have higher loss absorbency (“HLA”). The HLA requirement for D-SIBs is to be met with CET1 capital and is in addition to the capital conservation buffer requirement under BSP Circular No. 781, and the countercyclical capital buffer under BSP Circular No. 1024.

D-SIBs shall be initially allocated into two buckets with different level of HLA requirements ranging from 1.5% to 2.5% of risk-weighted assets, depending on their degree of systemic importance. An initial empty bucket shall be added on top of the highest-numbered populated bucket to provide incentives for banks to avoid becoming more systematically important. If the empty bucket becomes populated in the future, a new empty bucket shall be added with a required higher additional loss absorbency level which shall increase in increments of 1.0% of risk-weighted assets. Under BSP Circular No. 1024, the BSP provided for sample total CET1 capital requirements for D-SIBs when the countercyclical capital buffer at 0% and at 2.5%. It further provided for restrictions on distributions, dependent on bucket, and countercyclical capital buffer rate.

The magnitude of additional loss absorbency for the higher populated bucket (Score Range of A-B) shall be 2.5% of risk-weighted assets at all times, with the initial empty bucket (Score Range of B-C) at 3.5% of risk-weighted assets. The magnitude of additional loss absorbency for the lower bucket (Cut off point – A) shall be 1.5% of risk-weighted assets. The new regulations on D-SIBs apply on a consolidated basis to all universal and commercial banks, including branches of foreign banks established under Republic Act No. 7721. Submission of data requirements for identification of D-SIBs took effect starting with 2014 data, while compliance with the additional HLA requirements phased-in from January 1, 2017 with full implementation by January 1, 2019.

In May 2015, the BSP approved the guidelines for the implementation of Basel III leverage ratios (calculated by dividing banks’ Tier 1 capital over its total on-book and off-book exposure). On June 9, 2015, the BSP issued Circular No. 881, or the “Implementing Guidelines on the Basel III Leverage Ratio Framework.” Under the Circular, the BSP sets forth guidelines for a supplementary measure to the risk-based capital requirements in order to control the build-up of leverage in the banking sector. The Basel III leverage ratio is defined as Tier 1 Capital divided by a BSP-prescribed Exposure Measure. On both a solo and consolidated basis, this ratio should not be less than 5% for universal and commercial banks, as well as their subsidiary banks/quasi-banks. 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. The monitoring period for the Leverage Ratio is from December 31, 2014 to December 31, 2016. On January 22, 2018, however, the BSP issued Circular No. 990, which extended the monitoring period up to June 30, 2018. By July 1, 2018, the leverage ratio became a Pillar 1 requirement.

On October 3, 2016, the BSP issued Circular No. 905, or the “Implementation of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio and Disclosure Standards.” Under the circular, the BSP adopted liquidity standards consistent with the Basel III framework. Banks are now required to maintain, over a 30-calendar day horizon, an adequate level of unencumbered HQLAs that consist of cash or assets that can be converted into cash at

little or no loss of value in private markets, to offset the net cash outflows it could encounter under a liquidity stress scenario. Banks are also required to publicly disclose information related to the LCR, which is the ratio of HQLAs to total net cash outflows. Mandatory compliance with these minimum requirements commenced on January 1, 2018 as well. The prescribed minimum was set at 90% for 2018, and rose to the minimum required level of 100% on January 1, 2019.

On June 6, 2018, the BSP issued Circular No. 1007, which imposed an NSFR framework on all universal and commercial banks, including their subsidiary banks and quasi-banks, on both a 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, defined as available stable funding divided by required stable funding, of at least 100% at all times. This must be reported in a single currency. Implementation of the NSFR commenced on January 1, 2019 as required under the circular.

As shown, the BSP may increase applicable capital requirements and other supplementary requirements from time to time which affects the Bank. 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 current 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.

Reserve Requirements

Under Republic Act No. 7653, also known as 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 the BSP on the amount of any deficiency.

As of July 26, 2019, BSP Circular No. 1004 dated May 24, 2018, requires universal and commercial banks such as the Bank to maintain regular reserves of (a) 16.0% against demand deposits, "NOW" accounts, savings deposits, 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, (b) 4.0% against LTNCDs under BSP Circular No. 304, and 7.0% against LTNCDs under BSP Circular No. 824, (c) 0% against deposit substitutes evidenced by repo agreements and inter-bank call loans under Sec. 343 of the MORB, and 6.0% against bonds.

Liquidity reserves are no longer required pursuant to BSP Circular No. 753 issued in 2012.

Limitation on Investments

A commercial bank may, subject to the conditions stated in the succeeding paragraphs, invest only in the equities of allied enterprises as may be determined by the Monetary Board. Allied enterprises may either be financial or non-financial. Except as the Monetary Board may otherwise prescribe:

- The total investment in equities of allied enterprises shall not exceed thirty-five percent (35%) of the net worth of the bank; and
- The equity investment in any one enterprise shall not exceed twenty-five percent (25%) of the net worth of the bank.

The acquisition of such equity or equities is subject to the prior approval of the Monetary Board which shall promulgate appropriate guidelines to govern such investments. A commercial bank may own up to 100% of the equity of the equity in a thrift bank, a rural bank. Where the equity investment of a commercial bank is in other financial allied enterprises, including another commercial bank, such investment shall remain a minority holding in that enterprise.

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.

Prohibition to act as Insurer

A bank is prohibited from directly engaging in insurance business as the insurer.

Loan Limit to a Single Borrower

Under the General Banking Law and its implementing regulations, except as prescribed by the Monetary Board for reasons of national interest, the total amount of loans, credit accommodations and guarantees, as may be determined on the total credit commitment, that may be extended by a bank to any borrower shall at no time exceed 25% of the net worth of such bank (or 30% of the net worth of the bank in the event that certain types and levels of security are provided). The basis for determining compliance with the single borrower's limit ("SBL") is the total credit commitment of the bank to or on behalf of the borrower. This ceiling may be adjusted by the Monetary Board of the BSP from time to time. Pursuant to BSP Circular No. 425 (2004), as amended by BSP Circular No. 779 (2013), the applicable ceiling is 25% but may be increased provided the conditions are complied with: (a) an additional 10% of the net worth of the bank as long as the additional liabilities are secured by shipping documents, trust or warehouse receipts or other similar documents which cover marketable, non-perishable goods which must be fully covered by insurance, (b) an additional 25% of the net worth of the bank provided that: (i) the additional loans, credit accommodations and guarantees are used to finance the infrastructure and/or development projects under PDP/PIP; (ii) these additional liabilities should not exceed 25% of the net worth of the bank; and (iii) the additional 25% shall only be allowed for a period of six years from December 6, 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.

The SBL limitations shall not apply to (a) loans and other credit accommodations secured by obligations of the BSP or of the Government; (b) loans and other credit accommodations fully guaranteed by the Government as to the payment of principal and interest; (c) loans and other credit accommodations secured by U.S. Treasury Notes and other securities issued by central governments and central banks of foreign countries with the highest credit quality given by any two internationally accepted rating agencies; (d) loans and other credit accommodations to the extent covered by the hold-out on or assignment of, deposits maintained in the lending bank and held in the Philippines; (e) loans, credit accommodations and acceptances under letters of credit to the extent covered by margin deposits; and (f) other loans or credit accommodations which the Monetary Board may from time to time specify as non-risk items.

On July 5, 2017, the BSP issued BSP Circular No. 965 approving the guidelines on the exclusion from the single borrower's limit of banks' and quasi-banks' short-term exposures to clearing and settlement banks arising from payment transactions pertaining to fund transfer services, check clearing, foreign exchange trades, security trades, security custody services, and other short-term payment transactions.

On April 30, 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 related party transactions.

On November 31, 2014, the BSP issued BSP Circular No. 858 which also provides that foreign bank branches existing as of the effectivity of Republic Act No. 10641 shall be given until December 31, 2019 to use twice the level of capital as net worth as reference point for determining the single borrower's limit.

Trust Regulation

The MORB contains the regulations governing the grant of authority to and the management, administration and conduct of trust, other fiduciary business and investment management activities of trust corporations and financial institutions allowed by law to perform such operations. Trust corporations, banks, and investment houses may engage in trust and other fiduciary business after complying with the requirements imposed by the MORB. The Bank may, under its Articles, accept and manage trust funds and properties and carry on the business of a trust corporation.

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, Circular No. 594 was issued by the BSP in January 2008 amending the existing regulations governing the derivatives activities of banks. Furthermore, 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.

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 Basel Committee on Banking Supervision and the International Organisation of Securities Commissions. The framework requires all covered entities that engage in non-centrally cleared derivatives to exchange initial and variation margins. Assets collected as collateral for margin purposes should be highly liquid and should, after the application of an appropriate haircut, be able to hold their value in time of stress. Variation margin requirements are being phased in from September 1, 2016 to March 1, 2017 while initial margin requirements are being phased in from September 1, 2017 to September 1, 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.

Foreign Currency Deposit System

Only a bank with authority to operate a foreign currency deposit unit ("FCDU") or an expanded foreign currency deposit unit ("EFCDU") under Republic Act No. 6426, as amended, may accept foreign currency-denominated trust, other fiduciary or IMAs.

An FCDU is a unit of a local bank or of a local branch of a foreign bank authorized by the BSP to engage in foreign currency-denominated transactions. Commercial banks which meet the net worth or combined capital accounts and profitability requirements prescribed by the Monetary Board of the BSP may be authorized to operate an expanded FCDU. Thrift banks with a net worth or combined capital accounts of at least P1.0 billion if they are located in Metro Manila, and ₱250.0 million if they are located outside Metro Manila, may be authorized to operate FCDUs.

FCDUs are required to maintain a 100% cover for their foreign currency liabilities except for USD-denominated repurchase agreements with the BSP, and at least 30.0% of the cover requirement for foreign currency liabilities shall be in the form of liquid assets. The 100.0% asset cover and 30.0% to be held in the form of liquid assets shall be unencumbered, except as otherwise provided in the Manual of Regulations for Foreign Exchange Transactions. FCDUs of universal and commercial banks and thrift banks have the option to maintain foreign currency deposits with the BSP equivalent to 15.0% of their foreign currency deposit liabilities as a form of foreign exchange cover. In 2017, BSP Circular No. 946 was issued providing that, effective January 1, 2018, the liquid asset cover requirement

for FCDU/EFCDU liabilities shall be 0% for universal and commercial banks, and 30.0% for thrift, rural, and cooperative banks.

Lending Policies, Secured and Unsecured Lending

Banks are generally required to ascertain the purpose of a proposed loan, and the proceeds of the loan are to be used for that purpose only. Under existing regulations, banks are generally prohibited from extending loans and other credit accommodations against real estate in an amount exceeding 60% of the appraised value of the real estate security plus 60.0% of the appraisal value of the insured improvements, except for (i) residential loans in an amount not exceeding P 3.5 million; (ii) housing loans extended by or guaranteed under the Government's "National Shelter Programme", which shall be allowed a maximum value of 70.0% of the appraisal value of the insured improvements; and (iii) subject to certain conditions, loans for house-building and subdivision development for low- and middle-income families and other housing loans, which shall be allowed a maximum value of 80.0% of the appraised value of the real estate security. Similarly, loans and other credit accommodations on security of chattels and intangible properties shall not exceed 75.0% of the appraisal value of the security.

On October 29, 2014, the BSP issued BSP Circular No. 855 regarding guidelines on sound credit risk management practices, including the amendment on 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. According to the BSP, "this principle-based definition creates greater flexibility in accepting a broader range of assets as possible collateral." Under the new rules, however, the maximum collateral value for real estate collateral is set at 60.0% 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 DOSRI transactions and in potentially accelerating the setting up of allowable loan for losses in case a loan account gets distressed" according to the BSP.

The BSP also clarified that the collateral cap on real estate mortgages is not the same as an LTV ratio limit. Even under the new rules, the minimum borrower equity requirement remains a bank-determined policy (which, according to the BSP, averages 20.0% 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. Prior to lending on an unsecured basis, a bank must investigate the borrower's financial condition and ability to service the debt and must obtain certain documentation from the borrower, such as financial statements and tax returns. Any lending should be only for a time period essential for completion of the operations to be financed.

On June 27, 2014, the BSP issued BSP Circular No. 839 adopting a prudential REST limit for universal, commercial, and thrift banks on a solo and consolidated basis on their aggregate real estate exposures. The REST limit combines a macroprudential overlay of a severe test scenario, the principal of loss absorbency through minimum capital ratio thresholds and heightened supervisory response. Real estate exposures are those defined in Memorandum No M-2012-046 and include other real estate property of the banks such as those recorded under Real and Other Properties Acquired and Non-Current Assets Held for Sale. For purposes of the circular, a stress test will be undertaken on a bank's Real Estate Exposure and other real estate property under an assumed write-off rate of 25.0%.

For universal and commercial banks, the prudential REST limits are 6.0% of CET 1 capital ratio and 10.0% of risk-based CAR, on a solo and consolidated basis under the prescribed write-off rate. For TBs, the prudential REST limits which shall be complied with at all times are 6% of CET1 capital, for TBs that are subsidiaries of UBs/KBs, 6% of Tier 1 capital, for stand-alone TBs, and 10% of risk-based capital adequacy ratio for all TBs.

Mandatory Lending Requirements

BSP regulations currently provide that commercial banks should set aside 25.0% of loanable funds for loans to the agricultural sector in general, with 10% of such funds being made available exclusively to agrarian reform

beneficiaries. Loanable funds are defined to include the net increase in a bank's funds from April 20, 2010 in accordance to Subsections X341.6 and X341.7 of the MORB. Alternatively, banks can buy government securities which proceeds shall be used for lending to the agriculture and agrarian reform sectors, open special deposit accounts with accredited rural financial institutions, provide rediscounting on eligible agriculture, fisheries and agrarian credits, and provide lending for construction and upgrading of infrastructure including farm-to-market roads. The BSP shall impose administrative sanctions and penalties of 0.5% of the total amount of its non-compliance and under-compliance.

Republic Act No. 9501 provides that for a period of 10 years from June 17, 2008, all lending institutions shall set aside at least 8% for loans to micro and small enterprises and at least 2% for medium enterprises of their total loan portfolio based on their balance sheet as of the end of the previous quarter and make it available for lending to such enterprises. Investments in Government securities will not satisfy such obligation.

In addition, branches or agencies of commercial banks located within certain geographical groupings outside Metro Manila must lend at least 75% of total deposits, net of required reserves and total cash in vault, at such branches to businesses in their locality. This policy is deemed to be complied with if, in the relevant geographical grouping, the bank's total lending for the financing of agricultural and export industries constitutes 60% of its deposits. However, for the purposes of compliance with this requirement, loans granted at the head office or other offices to customers in that area may be assigned to the branch in the geographic area in which the customer is located.

With the enactment of Barangay Micro Business Enterprises ("BMBEs") Act or Republic Act No. 9178, private banking and other financial institutions were encouraged to lend to BMBEs. Among the incentives of the law is that all loans granted to BMBEs shall be considered as part of alternative compliance to the rules on reservation of funds for the agricultural sector and small- and medium-sized enterprises.

Banks may be allowed to report compliance on a group-wide basis (i.e. on a parent-subsidiary consolidated basis), so that excess compliance of any bank in the group can be used as compliance for any deficient bank in the group, provided that the subsidiary bank(s) is at least majority-owned by the parent bank, and provided further that the parent bank shall be held responsible for the compliance of the group.

Under the Agri-Agra Reform Credit Act, or Rep. Act No. 10000, all banks are required to set aside at least 25.0% of their total loanable funds for agriculture and fisheries credit in general, of which at least 10.0% of the loanable funds should be made available for agrarian reform beneficiaries mentioned in the law. Non-compliance is subject to administrative sanctions and penalties imposed by the BSP.

Qualifications of Directors and Officers

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 unfit for the position.

The Monetary Board may regulate the payment by the bank of compensation, allowances, bonus, fees, stock options and fringe benefits to the bank officers and directors only in exceptional cases such as when a bank is under conservatorship, or is found by the Monetary Board to be conducting business in an unsafe or unsound manner or when the Monetary Board deems it to be in unsatisfactory condition.

Except in cases allowed under the Rural Bank Act, 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 August 22, 2017, BSP issued Circular No. 969 and 971, providing for revisions to guidelines in strengthening corporate governance in BSP-supervised financial institutions ("BSFIs"), and prescribing guidelines on risk governance for BSFIs. The BSP, through such circulars, aimed to align its existing regulations with the Code of Corporate Governance for Publicly-listed Companies issued by the SEC. Pursuant to such Circulars, directors have

the burden of proving that they possess all the minimum qualifications and none of the disqualifications listed in the MORB. Such director must submit proof to the BSP of his 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.

Such Circulars also required 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.

The BSP also issued 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.

Certain persons are permanently disqualified from acting as bank directors, including (a) persons who have been convicted by final judgment of a court for offenses involving dishonesty, such as but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, and others; (b) persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years; (c) persons who have been convicted by final judgement of the court for violation of banking laws, rules, and regulations; (d) persons who have been judicially declared insolvent, spendthrift, or incapacitated to contract; (e) directors, officers, or employees of closed banks who were found to be culpable for such institution’s closure as determined by the Monetary Board; (f) directors and officers of banks found by the Monetary Board as administratively liable for violation of banking laws, rules, and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board has become final and executory; and (g) directors and officers of banks or any person found by the Monetary Board to be unfit for the position of directors or officers because they were found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency has become final and executory.

Under the MORB, the board of directors of a bank must have at least five and a maximum of 15 members. In case of merged or consolidated banks, the number of directors shall not exceed twenty-one (21). BSP Circular No. 969 further provided for the composition of the Board of Directors. At least one-third but not less than 2 members of the Board must be independent directors, rounded up to the nearest whole number. Meanwhile, according to the Republic Act No. 11232, or the Revised Corporation Code, the board of banks and quasi-banks must have independent directors comprising at least 20% of such board. An independent director is a person who is not an officer or employee of a bank, its subsidiaries or affiliate or related interests. Non-Filipino citizens are allowed to become members of the Board to the extent of the foreign participation in the equity of the institution.

On January 4, 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.

Loans to DOSRI, Subsidiaries, and Affiliates

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.

The amount of individual outstanding loans, other credit accommodations and guarantees to DOSRI, should not exceed an amount equivalent to their unencumbered deposits and book value of their paid-in capital contribution in the bank. On June 23, 2016, as provided under Circular No. 914, 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.

In the aggregate, outstanding loans, other credit accommodations and guarantees to DOSRI should not exceed 100% of the bank's net worth or 15% of the total loan portfolio of the bank, whichever is lower, unless the Monetary Board approves. In no case shall the total unsecured loans, other credit accommodations and guarantees to DOSRI exceed 30% of the aggregate ceiling or of their outstanding loans, other credit accommodations and guarantees, whichever is lower. For the purpose of determining compliance with the aggregate ceiling on unsecured credit accommodations and guarantees, banks shall be allowed to average their ceiling on unsecured loans, other credit guarantees and guarantees every week. On the other hand, the amount of individual outstanding loans, other credit and accommodations granted to subsidiaries and affiliates, of which at least 85.0% must be secured, should not exceed 10.0% of the net worth of the lending bank, provided that the unsecured loans, other credit accommodations, and guarantees to each of the said subsidiaries and affiliates shall not exceed 5% of such net worth.

On June 23, 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 Philippine Development Plan/Public Investment Program ("PDP/PIP") needed to support economic growth. The exposures to subsidiaries and affiliates in PDP/PIP projects will now be subject to higher individual and unsecured limits of 25% instead of 10% and 12.5% instead of 5% of the net worth of the lending bank, respectively, subject to 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.

The credit card operations of banks shall not be subject to these regulations where the credit cardholders are the bank's directors, officers, stockholders and their related interests, subject to certain conditions.

Related Party Transactions

In December 2015, the BSP announced that it approved guidelines strengthening oversight and control standards for managing related party transactions. This was further strengthened through the issuance of BSP Circular No. 969 on August 22, 2017. The MORB provides that transactions between and among the entities within the same group create financial, commercial, and economic benefits, higher degree of standards should be applied to protect the interest of all stakeholders. It is emphasized that related party transactions are generally allowed for as long as these are done on an arm's length basis referring to the process involved in handling the transaction as well as the economic terms of the transaction.

Under BSP Circular No. 969, a universal or commercial bank which is part of a conglomerate shall constitute a Related Party Transactions Committee (“RPT Committee”), composed of at least three members of the Board of Directors, two of whom must be independent directors, including the chairperson. The committee shall at all times be entirely composed of independent directors and non-executive directors, while the independent directors must always comprise a majority of the Committee. The RPT Committee has the duty to ensure that all related parties are continuously identified, related party transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice-versa) are captured. It is also responsible for evaluating all material related party transactions to ensure that these are not undertaken on more favorable economic terms than similar transactions with non-related parties under similar circumstances, and for ensuring that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the institution’s related party transaction exposures, and policies on conflicts of interest or potential conflicts of interest. The RPT Committee must also prepare a report to the board on a regular basis, on the status and aggregate exposures to each related party, as well as to all related parties. . They must likewise ensure that transactions with related parties, including write-off exposures, are subject to periodic independent review or audit process. Lastly, they are tasked with overseeing the implementation of the system for identifying, monitoring, measuring, controlling, and reporting related party transactions, including the periodic review of related party transaction policies and procedures.

Valuation Reserves for Credit Losses Against Loans

BSP regulations allow loans and advances to be written-off as bad debts only if it can be justified to be uncollectible or worthless. The board of directors of the bank has discretion in accordance with defined policies, and upon incorporation, at a minimum, of a well-defined criteria under which the credit exposures may be written off. The prior approval of the Monetary Board of the BSP is required to write off loans to the bank’s directors, officers, stockholders, and their related interests.

In accordance with BSP Circular No. 941 dated January 20, 2017, loans, investments, receivables, or any financial asset, including restructured loans, as a general rule shall be considered past due when any principal and/or interest or installment due, or portions thereof, are not paid at their contractual due date, in which case, the total outstanding balance thereof shall be considered as past due. However, BSFIs may provide a cure period on a credit product-specific basis, not to exceed 30 calendar days within which to allow the obligors or borrowers to catch up on their late payment without being considered as past due. Any cure period policy shall be based on verifiable collection experience and reasonable judgment that support tolerance of occasional payment delays.

The observance of a cure period policy shall not preclude the timely adverse classification of an account that has developed material credit weakness(es), and the BSP-supervised financial institutions are mandated to regularly review the reasonableness of its cure period policy. For microfinance and other small loans that feature high frequency payments, the cure period allowable by policy shall not exceed 10 calendar days. Policies for writing off problem credits must be approved by the board of directors in accordance with defined policies and shall incorporate well-defined criteria under which credit exposure may be written off. Procedures shall explicitly narrate and document the necessary operational steps and processes to execute the policies. Policies shall define and establish the reasonable period of time within which to write off loans already classified as "loss". BSP regulations allow loans and advances to be written-off as bad debts only if it can be justified to be uncollectible. The board of directors of the bank has discretion as to the frequency of write-offs provided that these are made against provisions for credit losses or against current operations. The prior approval of the Monetary Board of the BSP is required to write off loans to the DOSRI.

On January 26, 2003, the Special Purpose Vehicle (“SPV”) Act came into force. The SPV Act provides the legal framework for the creation of SPVs that will acquire non-performing loans, real estate and other assets from financial institutions in order to encourage new lending to support economic growth. Congress passed the SPV Act’s implementing rules and regulations on March 19, 2003 and they came into force on April 12, 2003. On April 24, 2006, the Philippine president signed into law an amendment to the SPV Act, extending the deadline for the creation of asset management companies entitled to tax breaks to 18 months after the amended SPV Act takes effect or until November 14, 2007. The amendatory law also extended the tax exemption and fee privileges of SPVs to those transactions that occur up to May 14, 2008. The extension expired on July 14, 2008.

On October 29, 2014, the BSP issued BSP Circular No. 855 on “Guidelines on Sound Credit Risk Management Practices; Amendments to the Manual of Regulations for Banks and Non-Bank Financial Institutions”. The Circular prescribes, among others, guidelines in setting up of allowance for credit losses.

On August 14, 2018, the BSP issued BSP Circular No. 1011 on “Guidelines on the Adoption of the Philippine Financial Reporting Standard (PFRS) 9 – Financial Instruments”. The policy sets out the supervisory expectations in classifying and measuring financial instruments and in recognizing impairment to promote prudence and transparency in financial reporting.

Anti-Money Laundering

The Anti-Money Laundering Act was passed on September 29, 2001 and was amended on March 7, 2003, June 18, 2012 and February 15, 2013. Under its provisions, as amended, certain financial intermediaries including banks, offshore banking units, quasi-banks, trust entities, non-stock savings and loan associations, and all other institutions including their subsidiaries and affiliates supervised and/or regulated by the BSP, and insurance companies and/or institutions regulated by the Insurance Commission, are required to submit a “covered” transaction report involving a single transaction in cash or other equivalent monetary instruments in excess of ₱0.5 million within one banking day.

Republic Act No. 10167 has expanded the coverage of the AMLC to enable inquiries into so-called “related accounts,” defined as: “funds and sources of which originated from and/or are materially linked to the monetary instrument(s) or property(ies) subject of the freeze order(s).” the high threshold level for covered transactions, the coverage of "covered institutions" and the existing Bank Secrecy Law, the amendments to the AMLA were signed into law on March 7, 2003 under Republic Act No. 9194. The amendments included the following: (i) lowering the threshold for covered transactions from P 4.0 million to P 500,000; (ii) authorizing the BSP to inquire or examine any deposit or investment with any banking institution without court order in the course of a periodic or special It also addressed concerns such as examination; and (iii) removing the provision prohibiting the retroactivity of the law.

These institutions are also required to submit a “suspicious” transaction report if there is reasonable ground to believe that any amounts processed are the proceeds of money laundering activities. 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:

- transacts said monetary instrument or property;
- converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
- conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
- attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c);
- aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above; and
- 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.

Money laundering is also committed by any covered person who, knowing that a covered or suspicious transaction is required under this Act to be reported to the Anti-Money Laundering Council, fails to do so.

BSP Circular No. 495 (2005) as amended by BSP Circular No. 527 (2006) requires all universal and commercial banks to adopt an electronic money laundering transaction monitoring system by October 14, 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 the Anti-Money Laundering Act.

These transactions are reported to the AMLC by the covered persons within five (5) working days of discovery of that transaction by the covered institution, unless the AMLC prescribes a different period, not exceeding fifteen (15) working days. The Court of Appeals, upon application by the AMLC, has the authority to issue freeze orders on any accounts which is suspected as being used for money laundering to be frozen. BSP Memorandum No. M2012-017 (April 2012) 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 AML policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the Board of Directors; (c) robust internal controls and audit; and (d) effective implementation. BSP Circular No. 950, further provides for specific requirements on having a risk-based approach to customer identification by covered institutions, an ongoing monitoring of customers, accounts, and transactions, and a policy of non-discrimination against certain types of customers.

Institutions that are subject to the Act 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 at least five years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

The AMLA, as amended provides for the power of the AMLC to examine bank accounts "upon order of any competent court based on an *ex parte* application". However, a court order for examination of bank deposits is unnecessary for activities involving kidnapping for ransom, violations of the Dangerous Drugs Act, hijacking and other violations under Republic Act No. 6235, destructive arson and murder, and terrorism and/or conspiracy to commit terrorism as defined under Republic Act No. 9372, as amended.

On February 15, 2013, Republic Act No. 10365 was approved. This amendment expanded the coverage of the AMLA, which now talks about "covered persons, natural or juridical." Additions to the enumeration of covered persons include jewellery dealers for transactions in excess of one million Pesos (P 1,000,000); 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 organize 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.

Also, Republic Act No. 10167 has expanded the coverage of AMLC to enable inquiries into so-called "related accounts," defined as: "funds and sources of which originated from and/or are materially linked to the monetary instrument(s) or property(ies) subject of the freeze order(s)."

Republic Act No. 10168 defined the crime of financing of terrorism, as an offense committed by one who "directly or indirectly, wilfully and without lawful excuse, possesses, provides, collects, or uses property or funds or makes available property, funds or financial services or other related services, by any means, with the unlawful and wilful intention that they should be used or with the knowledge that they are to be used, in full and in part: (a) to carry out or facilitate the commission of any terrorist act; (b) by a terrorist organization, association, or group, or (c) by an individual terrorist." BSP Circular No. 950 (2017) was issued in order to effectively implement this law and the revised IRR of the AMLA that took effect on January 7, 2017. The amendments emphasized the importance of a sound money laundering/terrorism financing risk assessment in banks.

The AMLC plays a central role in the enforcement of this law as the AMLC, *motu proprio* or at the request of the Anti-Terrorism Council, is authorized to investigate in order for it to ascertain that there is probable cause that the financing of terrorism is being conducted, planned, or facilitated. When the AMLC is satisfied that funds are for terrorist funding, it can issue an *ex parte* order to freeze, without delay, funds which it has "determined to be related to financing of terrorism or acts of terrorism" or, where there is probable cause to believe that funds are to be used in connection with terrorist activities.

BSP Circular No. 706 dated January 5, 2012, is the Updated AML Rules and Regulations ("UARR") that was issued for the purpose of consolidating all existing BSP circulars, circular letters, and other issuances related to AML. The UARR applies to all covered institutions supervised and regulated by the BSP including Banks, Offshore banking units, quasi banks, trust entities, non-stock savings and loan associations, pawnshops, foreign exchange dealers, money changers and remittance agents, electronic money issuers including their subsidiaries and affiliates wherever they may be located. In addition to the usual provisions on customer identification/KYC, covered and suspicious transaction reporting and record keeping and retention requirements that are found in the AMLA-RIRR, the UARR emphasizes the incorporation of a sound risk management system to ensure that risks associated with money laundering and terrorist financing are identified, assessed, monitored, mitigated and controlled by covered institutions. A sound risk management system includes adequate and active Board and Senior Management oversight, acceptable policies and procedures embodied in a Money Laundering and Terrorist Financing Prevention Program ("MLPP"), appropriate monitoring and Management Information System and comprehensive internal controls and audit.

UARR further provides that any violations of existing provisions thereof shall constitute a major violation that may subject the bank, its directors, officers and staff to enforcement actions such as monetary and non-monetary penalties. The enforcement actions shall may be imposed on the basis of the overall assessment of a covered institution's AML compliance system, and if found to be grossly inadequate, such may be considered as unsafe and unsound banking practice that may warrant initiation of prompt corrective action.

BSP Circular No. 495 (2005) as amended by BSP Circular No. 527 (2006) requires all universal and commercial banks to adopt an electronic or manual system of flagging, monitoring, and reporting of transactions that qualify as suspicious transactions, regardless of amount or that will raise a "red flag" for purposes of conducting further verification or investigation, or transactions involving amounts below the threshold to facilitate the process of aggregating them for purposes of future reporting of such transactions to the AMLC when their aggregated amounts breach the threshold.

BSP Memorandum No. M2012-017 (April 2012) adopted the ARRS, an internal rating system that aims to understand whether the risk management policies and practices as well as internal controls of Banks and NBFIs to prevent money laundering and terrorist financing are in place, well disseminated, and effectively implemented.

ARRS is an effective supervisory tool that undertakes to ensure that all covered institutions as defined under Circular No. 706 are assessed in a comprehensive and uniform manner, and that supervisory attention is appropriately focused on entities exhibiting inefficiencies in Board of Directors and Senior Management oversight and monitoring, inadequacies in their AML framework, weaknesses in internal controls and audit and defective implementation of internal policies and procedures. Under ARRS, each institution is rated based on the following factors: (i) efficient Board of Directors and senior management oversight; (ii) sound AML policies and procedures embodied in a money laundering and terrorist financing prevention program duly approved by the Board of Directors; (iii) robust internal controls and audit; and (iv) effective implementation.

Covered institutions 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 at least five years from the date of a transaction. Records of closed accounts must also be kept for five years after their closure.

On November 27, 2018, the 2018 Implementing Rules and Regulations of the AMLA took effect. This incorporated the amendments under Republic Act No. 10972, which included casinos as covered persons. However, implementation by casinos of AMLA will continue to be governed by the existing Casino Implementing Rules and Regulations. These implementing rules and regulations feature new rules on the AMLC's coordination with law enforcement agencies, beneficial ownership, customer due diligence, and national risk management and assessment, among others.

The SEC likewise issued Memorandum Circular No. 16, s. 2018 requiring all covered institutions to amend their respective Money Laundering and Terrorist Financing Prevention Program to conform with the Anti-Money Laundering and Combating the Financing of Terrorism regimes.

On April 20, 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 anti-money laundering/counter-financing of terrorism ("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 years, and will require the support and active participation of various government 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.

Restrictions on Branch Opening

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 of the BSP, to use any or all of its branches as outlets for the presentation and/or sale of financial products of its allied undertakings or investment house units.

Generally, only universal/commercial and thrift banks may establish branches on a nationwide basis. Once approved, a branch should be opened within six months from the date of approval (extendible for another six-month period,

upon the presentation of justification therefor). Branching policy and guidelines under the MORB were amended by BSP Circular No. 759, issued on May 30, 2012, providing, among others that banks may establish as many branches as its Qualifying Capital can support taking into account any approved but unopened branch/es outstanding at the time of application. Approved branches shall be opened within one year from the date of approval thereof, subject to extension on a case-to-case basis, but in no case to exceed three years, while approved while approved Other Banking Offices (“OBOs”) shall be opened within one year from date of approval thereof, which shall not be subject to any extension. Requirements for opening of branches / OBOs were also rationalized.

Pursuant to BSP Circular No. 505, issued on December 22, 2005, banks were allowed to establish branches in the Philippines, except in the cities of Makati, Mandaluyong, Parañaque, Pasay, Pasig and Quezon and the municipality of San Juan, Metro Manila. Note, however, that under BSP Circular No. 728 (2011), the restrictions on establishment of branches have been fully lifted as of July 1, 2014, subject to certain requirements. BSP Circular No. 759 liberalized 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. It permitted a bank to establish as many branches as its qualifying capital can support in accordance with existing rules. 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.

Under the first phase, second-tier universal and commercial banks with capital accounts of at least P10 billion and thrift banks with capital of at least P3 billion that have less than 200 branches in restricted areas as of December 2010 were allowed to apply and establish branches in these restricted areas until June 30, 2014. The second phase of the current liberalization approach, which started on July 1, 2014 wherein branching in the restricted areas was opened up to all banks except rural and cooperative banks that are not allowed to establish branches in Metro Manila. Currently, in accordance with BSP Circular No. 932 (2016), as a general rule, all banks, including rural and cooperative banks, are allowed to establish branches anywhere in the Philippines, including in cities previously considered as restricted areas.

BSP Circular No. 728 provides that under the first phase, second-tier universal and commercial banks with capital accounts of at least ₱10 billion and thrift banks with capital of at least ₱3 billion that have less than 200 branches in restricted areas as of December 2010 would be allowed to apply and establish branches in these restricted areas until June 30, 2014. The second phase of the current liberalization approach started on July 1, 2014 wherein branching in the restricted areas will be opened up to all banks except rural and cooperative banks that are not allowed to establish branches in Metro Manila.

At present, pursuant to BSP Circular No. 932 (2016), all banks, including rural and cooperative banks, as a general rule are now allowed to establish branches anywhere in the Philippines, including in cities previously considered as restricted areas.

Branches of microfinance-orientated banks, microfinance-orientated branches of regular banks and branches that will cater primarily to the credit needs of BMBEs 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.

Establishment of Branch-lite Units

In order to promote greater access to efficient and competitive banking services through the adoption of proportionate regulatory framework that provides banks with flexibility to execute their strategies and enables them to innovate in line with their business model, the BSP issued BSP Circular No. 987 (s. 2017), which provides for the guidelines on the establishment relocation, voluntary closure, and sale of branch-lite units of domestic banks, including locally incorporated subsidiaries of foreign banks. A branch-life unit refers to any permanent office or place of business of a bank, other than its head office or a branch. A branch-lite unit performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed.

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 the bank's products and services through a personal computer (using direct modem dial-in, internet access, or both) or a telephone. Applicant banks must prove that they have in place a risk management process that is adequate to assess, control, and monitor any risks arising from the proposed electronic banking activities.

On September 1, 2006, the BSP released new guidelines on the protection of electronic banking customers. These guidelines set specific requirements in the following areas: (a) oversight by a bank's board of directors, and other concerned officers over its electronic banking activities; (b) the development of a risk management policy and internal controls over its electronic banking activities; (c) the implementation of a consumer awareness program for the customers of banks; (d) development of policy on disclosures and transparencies, and the availability of electronic banking service; and (e) the development of complaint resolution procedure for unauthorized 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 August 22, 2013, required BSP-supervised institutions to migrate their entire payment network to the more secure 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. As of January 1, 2017, all cards issued and card-accepting devices should now be EMV-compliant. Prior to full compliance, failure on the part of the BSFI to submit and implement their EMV migration plan shall be subject to additional enforcement actions. However, pursuant to BSP Memorandum No. M-2017-019 issued on June 9, 2017, BSP-supervised financial institutions are required to fully comply with the EMV requirement by June 30, 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 February 22, 2019, the BSP issued Circular No. 1033, which provides for amendments to the MORB on electronic banking services and other electronic operations. The amendments mainly take into account the developments in electronic payment and financial services.

Further Liberalization of Foreign Banks

On July 15, 2014, President Benigno Aquino, III signed into law Republic Act No. 10641 or "An Act Allowing the Full Entry of Foreign Banks in the Philippines, Amending for the Purpose Republic Act No. 7721" ("Rep. Act No. 10641"). Under Republic Act No. 10641, established, reputable and financially sound foreign banks may be authorized 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 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 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. A foreign bank branch authorized to do banking business in the Philippines under Republic Act No. 10641 may open up to five sub-branches as may be approved by the Monetary Board. Locally incorporated subsidiaries of foreign banks authorized to do banking business in the Philippines under Republic Act No. 10641 shall have the same branching privileges as domestic banks of the same category.

Among the key amendments of the law were the removal of the ranking requirement for foreign banks and the addition of the applicant banks being widely owned and publicly listed in the country of its origin. In addition, the law now allows authorized foreign banks to participate in the bidding and foreclosure sales of mortgaged real property (including lands) as well as to avail of the enforcement and other proceedings and even take possession (but not title)

to such mortgaged property for a period of five years. The foreign bank must, however, transfer its rights over the mortgaged property to a qualified Philippine national within the period of five years.

Under Republic Act No. 10641, the Monetary Board was authorized to issue such rules and regulations as may be needed to implement the provisions of Republic Act No. 10641. On November 6, 2014, the Monetary Board issued Resolution No. 1794 providing for the implementing rules and regulations of Republic Act No. 10641 and on November 2, 2014, the BSP issued Circular No. 858, amending the relevant provisions of the MORB, accordingly.

In the exercise of the authority to approve entry applications, under Republic Act No. 10641, the Monetary Board shall adopt such measures as may be necessary to ensure that the control of at least 60.0% of the resources or assets of the entire banking system is held by domestic banks which are majority-owned by Filipinos. Based on BSP Circular No. 858, such measures may include (a) suspension of entry of additional foreign bank subsidiaries and branches; and (b) suspension of license upgrade or conversion to subsidiary of existing foreign bank branches. Other measures may also be implemented by the Monetary Board, provided that such measures (a) shall be consistent with Republic Act No. 7721, as amended by Republic Act No. 10641, and (b) shall consider vested rights and non-impairment of contracts.

Other Regulations

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 in a trading market requested by SEC shall be used as the benchmark or reference price for valuation. In the absence of done deals, the simple average bids per benchmark tenor 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 shall be used.

On August 14, 2015, the BSP issued Circular No. 885 requiring the segregation of customer funds and securities received by banks in the performance of their securities brokering functions, separate from its own assets and liabilities. Under the Circular, 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 which shall be maintained in the principal office of the bank.

The BSP also issued Circular No. 891 on November 9, 2015 amending the sales and marketing guidelines for derivatives under the MORB. Under the Circular, banks must ensure that the financial products (e.g., debt and equity securities, hybrid securities, derivatives, securitization 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.

On August 18, 2016, the BSP issued Circular No. 920 allowing for the creation of the Personal Management Trust ("PMT"), which is a living trust arrangement created by an agreement whereby the trustor conveys property or a sum of money to be managed by the trustee, as the agreement dictates, generally for the preservation of the assets or property for future use of the beneficiaries and/or to answer for their current needs. 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 ("LTA's") were discontinued and all those that remained valid were automatically considered as PMT.

On September 7, 2016, the BSP issued 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 January 20, 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 to the PCHC through its Check Image and Clearing System. 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.

On June 26, 2017, the BSP amended the MORB again through Circular No. 963, series of 2017. The issuance instituted governance processes in accordance with the BSP’s expectation that banks establish an effective reporting system generation and timely submission of reports. Said reports must be comply with those standards prescribed by the BSP, and those banks that fail to do so (i.e., files an erroneous report, delayed report, or did not submit at all) are meted with certain sanctions that can be aggravated by habitual violations. It further provides that banks have until December 31, 2017 to make the necessary preparations to their systems and processes in order to comply with the new provision, with its full implementation slated for January 1, 2018.

On August 22, 2017, the BSP issued 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.

On the same date, the BSP also issued 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 November 3, 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 September 1, 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 March 31, 2018.

On November 6, 2017, in line with BSP’s adoption of the National Retail Payment System (“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 recognized and overseen by BSP. For this purpose, the BSP under a Memorandum of Agreement has recognized the Philippine Payments Management, Inc. as the PSMB under the NRPS framework.

On November 9, 2017, BSP issued Circular No. 982, providing enhanced guidelines on information security risk management (“ISRM”) 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 recognize 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.

On January 4, 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 D-SIBs, in developing recovery plans. These expectations are consistent with the earlier issued guidelines on corporate governance under Circular No. 969.

On February 1, 2018, BSP issued Circular No. 992, which set out the framework for banks to offer a basic deposit account to promote account ownership among the unbanked. The minimum key features of the account include: simplified KYC requirements; an opening amount of less than ₱100.00; no minimum maintaining balance; and no dormancy charges. To prevent misuse of the basic deposit account, its maximum balance is set at ₱50,000.00. As an incentive for banks, the basic deposit account is granted a preferential 0.00% reserve requirement which lowers their account maintenance cost.

On March 1, 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 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 authorized 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 August 9, 2018, the BSP issued additional requirements for the issuance by banks of bonds and commercial papers. Circular No. 1010 amends BSP Circular No. 975, and 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 organized in accordance with the SEC rules and regulations.

Further, the issuing bank, including its subsidiaries, affiliates, and the wholly or majority-owned or controlled entities of such subsidiaries and affiliates, except for its trust departments or related trust entities, is prohibited from holding or acting as a market maker of the bank's listed/traded bonds or commercial papers. Likewise, the registry bank, including the Sole Issue Manager, Bookrunner and Underwriter 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.

On August 14, 2018, the BSP issued Circular No. 1011 which provides guidelines on the adoption of PFRS 9. The Circular provides that where there are differences between the BSP regulation and PFRS 9, as when more than one option are allowed or certain limits are prescribed, then the option or limit prescribed by the BSP should be adopted.

The circular further provide that with respect to the preparation of prudential reports, banks should adopt in all respect the PFRS, except in the following cases:

- (1) in preparing consolidated financial statements, only investments in financial allied subsidiaries except insurance subsidiaries 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.
- (2) in preparing solo/separate financial statements, investments in financial/nonfinancial allied/nonallied subsidiaries/associates, including insurance subsidiaries/associates, shall be accounted for using the equity method as described in PAS 28.
- (3) banks shall recognize adequate and timely allowance for credit losses at all times. In this respect, banks shall adopt the principles provided under the enhanced standards on credit risk management in measuring credit losses in the BSP Manual.

Revised Corporation Code

Republic Act No. 11232 or the Revised Corporation Code (“Code”) was signed into law on February 20, 2019 and became effective on March 8, 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 Securities and Exchange Commission (Commission) that it elects to retain its specific corporate term under its current Articles of Incorporation.
- A corporation vested with public interest must submit to its shareholders and to the 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 authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or *in absentia* are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or *in absentia*, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option,
- As to amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, and other corporations governed by special laws, the Code requires that a prior certificate of the appropriate government agency to the effect that such bylaws or amendments are in accordance with law, must be submitted.

- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, building and loan associations, trust companies, insurance companies, public utilities, and other corporations governed by special laws, before the Commission approves any merger or consolidation; or any voluntary dissolution.
- In case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission.

The 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.

SUMMARY OF THE OFFER PROCEDURE

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information found elsewhere in this Offering Circular; the Terms and Conditions included herein, and the related Bond Agreements regarding the offer, maintenance, trade and settlement of the Bonds. Prospective Bondholders should read this entire Offering Circular, the Terms and Conditions, and the related Bond Agreements fully and carefully. In case of any inconsistency between this summary and the more detailed information in this Offering Circular; then the more detailed portions and/or Terms and Conditions of the Bonds, and/or the Contracts, as the case may be, shall at all times prevail.

Method of Distribution

The Bonds are being issued pursuant to BSP Circular No. 1010 (Series of 2018) 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.

The Bonds are being issued by the Issuer with (a) BDO Capital & Investment Corporation as the Sole Issue Manager, Bookrunner and Underwriter, (b) the Bank, [•], BDO Capital & Investment Corporation and [•], (c) Philippine Depository & Trust Corp. as Registrar and Paying Agent, and (d) BDO Unibank, Inc. – Trust and Investments Group as the Trustee.

No action has been or will be taken by the Issuer or the Sole Issue Manager, Bookrunner and Underwriter 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.

The Sole Issue Manager, Bookrunner and Underwriter is required to comply with all laws, 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 Issue Manager, Bookrunner and Underwriter in connection therewith. The Sole Issue Manager, Bookrunner and Underwriter is a third-party 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 the objective conduct of due diligence on Bank. The Registrar and Paying Agent and the Trustee are likewise a third-parties in relation to Bank, such that, (i) they have no subsidiary/affiliate relationships with Bank; (ii) they are not related in any manner to Bank as would undermine their independence.

Applications to Purchase the Bonds during the Offer Period

Applicants may purchase the Bonds during the Offer Period by submitting fully and duly accomplished Applications to Purchase the Bonds, in triplicate 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 Offer Period. Applications received after said date or without the required attachments will be rejected. The Issuer and the Sole Issue Manager, Bookrunner and Underwriter reserve the right to adjust the Offer Period as needed.

If the Applicant is an individual, the following documents must also be submitted:

- a. A clear copy of at least one (1) valid photo-bearing identification document issued by an official authority in accordance with BSP Circular No. 608 (2008) as may be amended from time to time, and documents as may be required by to the Registrar and/or Selling Agent concerned;
- b. Two (2) fully executed signature cards in the form attached to the application; and
- 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.

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; and
- c. Two (2) fully executed signature cards duly authenticated by the Corporate Secretary, in the form attached to the application.

Corporate applicants who are claiming tax exemption must also submit the following:

- a. Certified true copy of a tax exemption certificate, ruling, or opinion issued by the Bureau of Internal Revenue no more than one year prior to the date of submission of the same to the Selling Agent;
- b. Original of the duly notarized undertaking, in the prescribed form, declaring and warranting its tax-exempt status, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of its tax-exempt status 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 Registrar as proof of the Applicant's tax-exempt status.

Identification documents:

- a. Any one (1) of the following primary identification documents bearing a recent photo and signature: passport, driver's license, BIR/TIN/SSS Card type, PRC ID, IBP ID; or
- b. Any two (2) of the following secondary identification documents, bearing a recent photo and signature: Employment ID, ATM/Credit card, National ID or any other ID with the Purchaser's photo and specimen signature acceptable to the Selling Agent.

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 Sole Issue Manager, Bookrunner and Underwriter, in consultation with the Issuer, reserve the right to accept, reject, scale down or reallocate any Application to Purchase the Bonds applied for.

In the event that payment supporting any Application to Purchase is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically cancelled and any prior acceptance of the Application to Purchase 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 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 to Purchase and the respective amount of Bonds, the Registrar and Paying Agent shall issue the relevant 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 Agents 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.

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 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 in the Terms and Conditions of the Offer, and as prescribed by the BSP, 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 such stated minimum required denomination.

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 Paying Agent 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 Applications to Purchase.

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- Unaudited Interim Condensed Financial Statements as of June 30, 2019 and for the Six-Month Periods Ended June 30, 2018 and 2019
- Audited Financial Statements as of and for the Years Ended December 31, 2017 and 2018.
- Audited Financial Statements as of and for the Years Ended December 31, 2016 and 2017.

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