BanKo

A subsidiary of BPI

Annual Report 2023

TABLE OF CONTENTS

OUR VISION

Building a better Philippines,
one family, one community at a time.

OUR MISSION

We are the trusted financial partner of the masang Pilipino, giving them a better life today and nurturing their future, through easy access to affordable financial solutions.

CHAIRMAN'S MESSAGE

Dear Shareholders,

Amidst the multifaceted challenges and opportunities that defined the banking landscape in 2023, BanKo emerged as a beacon of resilience, innovation, and inclusive growth. Our financial performance, characterized by robust growth across key metrics, reflects the unwavering commitment and strategic foresight of our team.

Our journey in 2023 was guided by a steadfast dedication to fostering sustainable growth and financial inclusion. Notably, our microfinance loans played a pivotal role in advancing the Sustainable Development Goals, contributing to decent work and economic growth among Filipinos.

As we navigated through uncharted waters, digitalization emerged as a cornerstone of our operational strategy. The introduction of innovative products such as the InstaCashKo Credit Line and the Max500 Loan exceeded expectations, underscoring our ability to address the evolving needs of our clients effectively.

Furthermore, our participation in the study on financial inclusion in Southeast Asia showcased BanKo's significant impact on the lives of our clients. Benchmarked against global standards, our performance ranks in the top 20%, particularly in terms of household impact on education and quality meals.

Looking ahead, we remain steadfast in our commitment to delivering unparalleled convenience, security, and digital excellence to our esteemed clients. With your unwavering support, we are poised to achieve new milestones and contribute meaningfully to the socio-economic fabric of our nation.

BanKo's commitment to innovation and financial inclusion is reflected in the introduction of groundbreaking products and initiatives:

- Max500 Loan: Designed or fast-growing SEMEs requiring higher loan amounts, Max500 exceeded its 2023 projections by an impressive 235%, supporting the expansion of SEME operations.
- InstaCashKo Credit Line (ICL): A short-term Microfinance credit line tailored for self-employed micro-entrepreneurs, ICL surpassed its maiden-year targets by 136% in releases, addressing the immediate and seasonal demands of SEME businesses effectively.
- BanKo Mobile App: Witnessing a surge in registered users and transactions, the BanKo Mobile App has become a beacon of financial inclusion, bridging the gap for underserved Filipinos through tech-enabled solutions. Offering TODO Savings accounts with a competitive 5% interest rate and FREE InstaPay services, the app has revolutionized the banking experience for millions.
- e'Nay Digital Marketplace: In partnership with Innovaris, BanKo introduced the e'Nay app, linking sari-sari stores directly to major distributors. With 6.4k active users within months of launch, e'Nay has enhanced inventory replenishment logistics, significantly contributing to financial inclusion.

BanKo's relentless pursuit of financial inclusion is embodied in its operational ethos, evident through its aggressive market expansion with a network of 348 branches and branch-lite units, and its unwavering commitment to driving societal advancement through collaboration, innovation, and technological empowerment.
In 2023, BanKo's journey was more than a narrative of success; it was a resounding testament to its commitment to sustainable growth, financial inclusion, and community transformation. As we chart our course for the future, we remain dedicated to building a better Philippines—one family, one community at a time.

Thank you for being part of our journey.

Yours truly,

Marie Josephine M. Ocampo
Chairman

OUR BUSINESS

BPI Direct BanKo, Inc., A Savings Bank (or **BanKo**) is a wholly owned subsidiary and the microfinance arm of the Bank of the Philippine Islands (BPI). Since 2016, it has endeavored to strengthen the financial capacities of thousands of Filipino Self-Employed Micro-Entrepreneurs (SEMEs) nationwide by creating an enabling business environment for them. True to its mission of empowering the Negosyanteng Pinoy, BanKo has provided access to easy, convenient and affordable loan products to fund their operations, and provided them with an opportunity to grow and expand their businesses.

In the transformative year of 2023, BanKo has achieved remarkable milestones, firmly establishing its commitment to sustainable growth and financial inclusion. Successfully reaching SEME, BanKo has emerged as a catalyst for economic development, creating sustainable employment opportunities and leaving a lasting impact on the lives of individuals and communities.

Impact on Micro-Entrepreneur clients

In 2023, BanKo participated in a study on financial inclusion in Southeast Asia titled: 'Financial Inclusion in Post-Covid Southeast Asia: Accelerating Impact beyond Access.' This 2023 study was conducted by the Centre for Impact Investing and Practices (CIIP) in collaboration with the United Nations Capital Development Fund (UNCDF) and Helicap and was supported by 60 Decibels. The study aimed to highlight best practices that enable better financial health outcomes in the region.

Results of the study showed that BanKo contributed significantly to the improved lives of its clients across the six dimensions of financial inclusion: access, business impact, household impact, client protection, resilience, and agency. Benchmarked against the performance of more than 100 other microfinance institutions worldwide, BanKo ranks in the top 20% in terms of its household impact on education and quality meals.

Empowering SEMEs and Driving Digital Inclusion

In June 2023, BanKo unveiled the InstaCashKo Line (ICL), a short-term Microfinance credit line tailored specifically to SEMEs in need of bridge financing. Surpassing its initial targets by an impressive 136% in its debut year, ICL showcased the efficacy of BanKo's financial solutions in meeting the immediate and seasonal requirements of SEME businesses.
For rapidly expanding SEMEs in need of larger loan amounts, BanKo introduced the Max500 Loan, a regular term loan crafted to support the growth endeavors of SEMEs. Surpassing its 2023 projections by an outstanding 235%, Max500 underscores BanKo's pivotal role in fueling the expansion ambitions of its clientele.

BanKo's Mobile App, a beacon of financial inclusion, experienced a notable surge in registered users and transactions, reaffirming its dedication to "bridgitalization" – bridging the gap for underserved Filipinos through locally attuned, technology-driven financial solutions. A staggering 99% increase in new registered users in 2023 translated to a remarkable 244% rise in financial transactions within the app.

Through the BanKo Mobile App, clients can effortlessly open accounts, including the TODO Savings account boasting a competitive 4% interest rate, alongside the PondoKo Savings, a fundamental deposit account. Noteworthy adjustments made in November 2023 include the repricing of TODO Savings interest rates to 5% annually and the waiving of Cash-In fees at accredited BanKo Cash Agents, further underscoring BanKo's commitment to financial resilience and accessibility.

Additionally, the BanKo Mobile App offers free InstaPay services, load rebates, and minimal fees for bill transactions, enriching the financial experience for BanKo clients and ensuring that the advantages of digital financial services remain within reach for all.

e'Nay: A New Digital Marketplace

In a strategic partnership with Innovaris, BanKo has revolutionized the landscape with the introduction of the e'Nay app. Launched in June 2023, this digital marketplace links sari-sari stores directly to a major distributor client of BPI. Facilitating direct ordering and same-day delivery, e'Nay enhances the logistics of inventory replenishment, contributing significantly to financial inclusion. With 6.4k active users in just a few months from the launch date, e'Nay stands as a testament to BanKo's commitment to innovative solutions and community empowerment.

Expanding Horizons: BanKo's Branch Network

By the close of 2023, BanKo has significantly broadened its presence with a network encompassing 348 branches and branch-lite units nationwide, with a remarkable 99% located in provincial areas. Covering 76 out of 81 provinces, BanKo's branches extend their reach across over 120 cities and 200 municipalities. Moreover, BanKo boasts a network of 1,000 Cash Agent outlets, offering clients seamless cash transactions, loan repayments, and serving as key loan referral centers for the bank.

BanKo's strength lies not just in its physical presence but also in its dedicated workforce, comprising over 1,700 loan officers and associates affectionately known as "BanKoMares" and "BanKoPares". These individuals foster direct customer relationships and are equipped to conduct insightful financial literacy discussions at the time of loan disbursement. Their warm and friendly service can be seen in the way they explain banking products in a simple manner that clients can easily understand. That is the bank's brand of service: Maaasahan, Malalapitan, Nagtitiwala.

In conducting its operations, BanKo goes beyond mere financial transactions; it empowers the communities it serves, living up to its mission of being the trusted ally of the Filipino masses, enhancing their present and future through accessible and affordable financial solutions. BanKo's steadfast commitment to pioneering microfinance solutions reflects its core values, steering towards a future where financial empowerment intertwines with social responsibility.

Building Momentum: BanKo's Remarkable Growth

BanKo's ascent in the microfinance sector has been nothing short of remarkable. From a modest 2% market share in 2016, the bank has surged ahead to command a substantial 26% share by 2023, firmly establishing its presence in the microfinance landscape. In the same year, BanKo witnessed a staggering 43% growth in its microfinance loan portfolio compared to the preceding year, further cementing its position as a key player in the banking industry.

The bank's overall loan portfolio experienced an impressive 75% expansion in 2023, accompanied by a remarkable doubling of deposit levels. This extraordinary growth trajectory coincides with BanKo's aggressive expansion strategy, which saw its branch network burgeon from a mere six branches in 2016 to an extensive 348 branches and branch-lite units by the close of 2023. Reflecting this exponential growth, BanKo's total asset size ascended from 13th position in 2016 to an impressive 7th position in 2023.

Through strategic alliances, digital innovations, and pioneering financial products, BanKo epitomizes progress in the Philippine banking landscape, empowering individuals and fostering sustainable growth for a brighter tomorrow. Aligned with BPI's vision of nation-building, BanKo endeavors to contribute to a better Philippines, one family and one community at a time. By emphasizing the transformative potential of collaboration and technological advancement, BanKo not only drives individual prosperity but also catalyzes societal progress.

BanKo's journey in 2023 is more than a tale of triumph; it embodies a steadfast commitment to sustainable expansion, financial inclusivity, and community upliftment. This commitment not only fuels the economic advancement of the nation but also sets a benchmark for responsible and forward-looking banking practices in an ever-evolving landscape.

BanKo's Product Overview: A commitment to Financial Inclusion

BanKo stands as a steadfast ally to both its clients and the communities it serves, championing financial inclusion, sustainable development, and nation-building through its diverse array of products and services.

NEGOSYOKO LOAN

At the heart of BanKo's offerings lies the NegosyoKo Loan, the bank's flagship product tailored for SEMEs within the C and D socioeconomic classes. Ranging from ₱10,000 to ₱500,000, with flexible tenors spanning from 6 to 36 months, the NegosyoKo Loan serves as a vital lifeline for entrepreneurs seeking accessible working capital or avenues for business expansion. Catering to a wide spectrum of microbusinesses, including wholesale and retail trading, manual services, food services, manufacturing, and agriculture, BanKo ensures that SEMEs have the support they need to thrive.

In line with its commitment to holistic solutions, BanKo goes beyond mere financial assistance by bundling the NegosyoKo Loan with a microinsurance product, Secure Assist**.** This innovative offering provides invaluable cash assistance to mitigate the impact of property damage caused by flooding, further fortifying the resilience of SEMEs against unforeseen adversities.

BanKo's dedication to financial inclusion extends beyond providing loans; it embodies a holistic approach aimed at uplifting the socioeconomic landscape of communities nationwide. Through its suite of products and services, BanKo empowers individuals and businesses alike, fostering sustainable growth and prosperity for a brighter future.

NEGOSYOKO LITE

BanKo revolutionized access to financing with the introduction of its digitally assisted loan product, NegosyoKo Lite. This innovative offering is tailored to meet the needs of Small and Medium Enterprises (SMEs) requiring swift access to capital for their operations. NegosyoKo Lite provides flexibility and convenience, catering to entrepreneurs seeking smaller loan amounts to bolster their businesses.

With NegosyoKo Lite, applicants can secure loan amounts of ₱10,000, ₱15,000, or ₱25,000, with repayment terms ranging from 2 to 6 months, all at a competitive 0% interest rate. Leveraging the BanKo Mobile app, prospective borrowers can initiate the loan application process from the comfort of their homes or business locations, eliminating the need for physical visits to branches.

This digital platform streamlines the application process, enabling swift approvals and disbursals, thereby empowering SEMEs with the financial resources they need to thrive. BanKo's NegosyoKo Lite epitomizes the bank's commitment to harnessing technology for financial inclusion, ensuring that entrepreneurs can access the funding they require with utmost ease and convenience.

FOR THE FARMERS

JFC Agri Loan Financing stands as an innovative financial solution tailored specifically for small-scale farmers who serve as suppliers to BPI's esteemed corporate client, Jollibee Foods Corporation. This groundbreaking product aims to provide greater access to affordable financing for these farmers, enabling them to thrive in their agricultural endeavors.

Small farmers, typically operating on an average land size of 0.6 hectares, benefit from this initiative by accessing financing at more favorable terms compared to other lenders. One notable feature of this financing mechanism is the collective repayment rate, which incentivizes timely payment of amortizations. This rewards farmers who uphold their repayment commitments, fostering a culture of financial responsibility and sustainability within the farming community.

Moreover, the timing of loan disbursement is strategically aligned with the planting season, ensuring that farmers receive funds one to two months ahead of planting. This proactive approach grants farmers ample time to procure essential farm inputs such as seeds and fertilizers, crucial for maximizing yields. This is particularly significant in addressing challenges such as the scarcity of onion supply in the Philippines, where timely access to resources can make a pivotal difference in agricultural productivity.

PONDOKO SAVINGS ACCOUNT

PondoKo Savings represents a cutting-edge, app-based solution, offering clients an interest-bearing basic deposit account with no maintaining balance requirement. This innovative offering empowers clients to cultivate their financial reserves and effectively manage their cash flow with ease and convenience.

Clients gain access to a comprehensive suite of banking services right at their fingertips. From the convenience of the BanKo Mobile app, clients can seamlessly execute various transactions, including purchasing load credits, transferring funds (i.e. free Instapay service), bills payments, and even managing loan repayments.

This integrated platform not only simplifies banking processes but also enhances financial accessibility for clients, ensuring that they can effortlessly navigate their financial affairs with confidence and efficiency. PondoKo Savings epitomizes BanKo's commitment to providing forward-thinking solutions that empower individuals to achieve their financial goals and aspirations.

TODO SAVINGS

TODO Savings is tailored for Filipino individuals embarking on their savings journey. This high-impact digital savings account is designed to accelerate your path to financial prosperity.

With TODO Savings, you gain access to an impressive interest rate of 5% per annum, significantly surpassing traditional savings accounts. Deposits of up to ₱1,000,000 to earn at this competitive rate, providing a lucrative opportunity to grow your savings at an exponential rate—60 times higher than standard offerings.

Through the BanKo Mobile app, you can open an account in just five minutes, requiring only one valid government ID. This streamlined process ensures that every Filipino can swiftly embark on their savings journey without unnecessary hurdles or complications.

BANKO MOBILE APP

In 2023, BanKo has fortified the capabilities of its BanKo Mobile app, offering customers convenience and accessibility to their financial accounts around the clock.

One of the key advantages of the enhanced BanKo Mobile app is its seamless loan repayment functionality. Loan borrowers could effortlessly settle their loan obligations from the comfort of their homes or businesses. This ensured uninterrupted financial transactions, enabling clients to uphold their financial commitments without disruption.

Furthermore, the BanKo Mobile app serves as a comprehensive financial management tool, providing customers with real-time access to their account balances, transaction histories, and other pertinent information. This empowers users to stay informed and in control of their finances at all times, fostering greater financial literacy and responsibility.

By leveraging the BanKo Mobile app, customers can conduct a wide range of banking transactions securely and conveniently, including fund transfers, bill payments, and account inquiries. This flexibility not only addresses the immediate challenges posed by the pandemic but also lays the groundwork for a digitally empowered banking experience that transcends geographical barriers.

In essence, the enhanced BanKo Mobile app epitomizes BanKo's unwavering commitment to providing innovative solutions that meet the evolving needs of its customers. By harnessing the power of technology, BanKo continues to bridge the gap between accessibility and financial empowerment, ensuring that no obstacle—be it mobility restrictions or geographic distance—stands in the way of its clients' financial well-being.

FINANCIALS AND OPERATING HIGHLIGHTS

	2023	2022	Change
BALANCE SHEET (in Php mn)			
Assets	43,550	22,448	94.00%
Treasury Assets	14,174	5,487	158.32%
Net Loans	27,696	15,679	76.64%
Deposits	35,012	16,792	108.50%
Equity	5,454	4,181	30.45%
INCOME STATEMENT (in Php mn)			
Net Interest Income	5,582	3,958	47.85%
Non-Interest Income	862	657	31.20%
Net Revenues	7,351	4,615	59.28%
Operating Expenses	3,227	2,604	23.92%
Pre-Provision Profit	4,124	2,011	105.07%
Impairment Losses	1,791	701	155.13%
Net Income	1,291	978	32.00%
FINANCIAL INDICATORS			
Profitability			
Return on Equity	26.8%	25.3%	5.80%
Return on Assets	3.9%	5.1%	-24.12%
Margin and Liquidity			
Net Interest Margin	17.8%	22.9%	-22.20%
Net Loans to Deposit Ratio	79.1%	93.4%	-15.28%
Leverage Ratio	10.8%	16.30%	-33.56%
Liquidity Coverage Ratio	134.0%	231.1%	-42.04%
Net Stable Funding Ratio	135.9%	137.0%	-0.80%
Cost Efficiency			
Cost to Income Ratio	48.1%	56.4%	-14.75%
Cost to Average Asset Ratio	9.8%	13.7%	-28.41%
Asset Quality			
NPL Ratio	6.0%	8.6%	-30.23%
NPL Cover	136.0%	90.8%	49.85%
Capital Leverage			
CET1 Ratio	13.98%	17.7%	-3.72%
Capital Adequacy Ratio	14.76%	18.4%	-3.64%
DISTRIBUTION NETWORK AND MANPOWER			
Branches/Branch - Lite Units	348	317	9.8%
Employees	**2,915**	**2,580**	**13.0%**
Officers	795	709	12.1%
Staff	2,120	1,871	13.3%

BUSINESS REVIEW

FINANCIAL PERFORMANCE

Total Resources of the Bank increased by 93.99% or P22.45Bn to P43.56Bn in 2023.

Loans and Receivables expanded by 76.64% with loans booking growing by 71% contributed by our Personal and Microfinance loans.

Deposit increased by 108% or P16.79Bn to P35.02Bn year on year.

Net interest income is higher by P1,895.32Mn or 47.90% mainly attributable to the increase in interest income on loans of P2,515Mn in line with the growth in the personal and self-employed microentrepreneur (SEME) loan.

As of the end of 2023, consolidated common equity tier 1 ratio stood at 14.0% and capital adequacy ratio was at 14.8%. These ratios are well above minimum regulatory requirements, with an adequate buffer to support the Bank's operations.

CLIENT TESTIMONIAL

A TASTE OF INCLUSIVE BANKING

"Dahil kay Banko lumago at lumaki ang negosyo ko, nag start ako ng loan 30k lng kasi noong una isang brand lng ng feeds ang binibenta hangang sa unti unti ng lumaki ang business ko hangang sa nagkaroon na ako ng bigasan ang dealer na ako ngayon ng ibat ibang softdrinks. Dahil kay Banko hindi na kailangan ng husband ko na mag balik sa barko bilang OFW kasi natustusan na ng aming negosyo ang pang araw araw na kailangan at pag papa aral sa mga anak ko. tunay na sa banko my ngiti ang bukas ko.''

MARILOU CALISE LLAVORE
Llavore Variety Store, Pototan
RICE & GRAINS BUSINESS
5 years in business

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

The Board of Directors and Management, employees and shareholders of BanKo believe that a sound and effective corporate governance is the cornerstone of its strength and long-term existence. It subscribes to a philosophy of adhering to honesty, integrity, and professionalism in the conduct of its business, exercising prudence in arriving at decisions, enforcing internal discipline and a system of checks and balances in its operating processes, and providing transparency to its various publics regarding basic management policies and practices, major business strategies and decisions and its operating results.

The Board of Directors and Management, commit themselves to the principles and practices of the corporate governance philosophy of the bank. They shall also undertake every effort necessary to create awareness of these principles and practices within the organization in order to ensure proper internalization by every member of the organization.

GOVERNANCE STRUCTURE

Board of Directors

The Board of Directors (the Board) bears the primary responsibility for creating and enhancing the longterm shareholder value of BanKo and ensuring that this objective is achieved in all its business activities. It must ensure BanKo's ability to satisfy the needs of its customers, sustain its leadership and competitiveness, and uphold its reputation in order to maintain BanKo's long term success and viability as a business entity. Its mandate consists of setting the strategic business directions of BanKo, appointing its senior executive officers, confirming its organizational structure, approving all major strategies and policies, overseeing all major risk-taking activities, monitoring the financial results, measuring and rewarding the performance of management, and generating a reasonable investment return to shareholders. It shall also provide an independent check on management.

Term limits of Independent Directors

An independent director may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director but may continue to serve as a regular director.

Policy on Directorships

Directors are bound by BanKo's Director's Code of Conduct to take into account their individual circumstances and the nature, scale and complexity of the Bank's activities in showing full commitment to the Bank - devoting the time, schedule and attention necessary to its business interests, to properly and effectively perform their duties and responsibilities and to avoid conflicts of interest.

A rigorous nomination process to ascertain fitness and propriety of candidate directors and examine their principal commitments is also done every year, prior to the Annual Stockholders Meeting. Board and committee attendance is closely monitored and reported. The Board also conducts an annual performance evaluation of itself, its committees and directors, which includes an affirmative determination of time commitments.

Powers of the Board of Directors

The corporate powers of a bank shall be exercised, its business conducted and all its property controlled and held, by its board of directors. The power of the board of directors as conferred by law are original and cannot be revoked by the stockholders. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank.

Duties and Responsibilities

The position of a Bank director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the bank itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The board of directors is primarily responsible for approving and overseeing the implementation of the Bank's strategic objectives, risk strategy, corporate governance and corporate values. Further, the board of directors is also responsible for the selection of key members of senior management and control functions as well as monitoring and overseeing the performance of senior management as the latter manages the day to day affairs of the institution.

Selection

Our shareholder may recommend candidates for board membership for consideration by the Nominations Committee. Such recommendations are sent to the Committee through the Office of the Corporate Secretary. Candidates recommended by shareholder are evaluated in the same manner as Director Candidates identified by any other means. The Committee itself may identify and recommend qualified individuals for nomination and election to the Board. For this purpose, the Committee may utilize professional search firms and other external groups to search for qualified candidates.

The Nominations Committee pre-screens the candidates and prepares a final list of candidates prior to the Annual Stockholders Meeting. Only nominees whose names appear on the final list of candidates are eligible for election to the Board.

No other nomination shall be entertained after the final list of candidates are drawn up. No nomination shall be entertained or allowed on the floor during the Annual Stockholders Meeting.

Board members are elected by BanKo stockholders who are entitled to one vote per share at the Bank's Annual Stockholders Meeting, where votes may be cumulated as provided for in the Corporation Code. The nominees receiving the highest number of votes are declared elected and hold office for one year until their successors, qualified in accordance with the by-laws, are elected at the next Annual Stockholders Meeting.

Board Composition and Qualification

Pursuant to Sections 15 and 17 of R.A. No. 8791, and the Bank's Amended By-Laws, there is a maximum of nine (9) members of the Board who are elected by the stockholders entitled to vote at the annual meeting, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the Bank's By-Laws.

Marie Josephine M. Ocampo
Position: Chairman

Ms. Ocampo currently heads the Mass Retail Segment of BPI, where she oversees BPI's credit, debit and prepaid card businesses as well as personal and micro finance loans. She is a member of the Board of BPI Payments Holdings Inc., Global Payments Asia-Pacific Philippines, Inc., AF Payments Inc., and CARD MRI Rizal Bank Inc. Ms. Ocampo started her career in BPI as Vice-President for Marketing and Sales of BPI Credit Cards in 1996. She soon became the President of BPI Card Corporation, the bank's credit card subsidiary where she won the prestigious Agora Award-2000 Marketing Company of the Year. In 2005, Ms. Ocampo was then cross-posted to BPI's Consumer Banking Group as Head of Kiosk Banking and Head of Personal Banking. She also became the Chief Marketing Officer of BPI from 2008 until 2014 where she was responsible for the bank's data warehouse, customer analytic capabilities and the bank's CRM, advertising and digital initiatives across the breadth of products, channels and services. In 2015, she became the Payments and Remittance group head.

Prior to joining BPI, Ms. Ocampo gained over 10 years of marketing experience in Procter & Gamble and Johnson & Johnson Australia and the Philippines, where she led the expansion of J&J's Health Care, Baby Care and Sanitary Protection business.

Ms. Ocampo graduated Magna Cum Laude and received her Bachelor of Science in Business Management, Honors Program at Ateneo de Manila University. She also completed the Advanced Management Program at the Harvard Business School in 2007.

Gerardo C. Ablaza, Jr.
Position: Non-Executive Director

Mr. Ablaza was elected as Director of BPI Direct BanKo, Inc., A Savings Bank in June 2022. He is a member of BanKo's Audit Committee and Risk Management Committee and a Director of BPI Asset Management and Trust Corporation Doing Business under the Trade Name and Style of BPI Wealth - A Trust Corporation.

He is currently a Management Consultant at the Ayala Corporation and a member of the Board of Directors in a number of Ayala's subsidiaries including Asiacom Philippines, Inc., AC Energy, AC Health, AC Infrastructures and Ayala Foundation.

Previously, he served as a Director of BPI Family Savings Bank, Inc. from 2017-2021 and BPI Capital Corporation from 2017-2021. From 2010 to 2017, Mr. Ablaza was the President and CEO of Manila Water Company. He was responsible for overseeing the financial and operational growth within Manila Water's service areas in the Metro Manila East Zone and in its expansion areas. From 1998 to April 2009, he was President and CEO of Globe Telecom, Inc. During this period, he took the company from being the fourth- ranked mobile services provider to the second-largest full-service telecom operator with a subscriber base of 25 million in 2008.

In 2004, Mr. Ablaza was recognized by CNBC as the Asia Business Leader of the Year, making him the first Filipino CEO to win the award. He was also awarded by Telecom Asia as the Best Asian Telecom CEO. In 2013, he was recognized for his consistent leadership and innovation across the banking, investment, telecommunications and utility service industries through the Citi Distinguished Alumni Award for Leadership and Ingenuity. He was the first Filipino to be awarded with such an honor. In June 2015, he became a member of the International Advisory Panel of the Institute for Water Policy under the Lee Kuan Yew School of Public Policy in Singapore. In 2017, he became a member of the Board of Directors and Executive Committee of Advance Info Services, PLC based in Thailand.

Mr. Ablaza graduated *summa cum laude* from the De La Salle University in 1974 with a degree in Liberal Arts, major in Mathematics (Honors Program).

Ignacio R. Bunye
Position: Independent Director

Mr. Bunye is the Chairman of the Bank's Corporate Governance and Related Party Committee. He is a member of the Bank's Risk Management Committee. He serves as an Independent Director of BPI Capital Corporation and BPI Asset Management & Trust Corporation (also known as BPI Wealth). He also served as an Independent Director of Bank of the Philippine Islands from 2016. Mr. Bunye was a member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2008 to 2014. He previously held the positions of Presidential Political Adviser in 2008, Presidential Spokesperson in 2003, and Press Secretary in 2002.

Mr. Bunye is a member of the Philippine Integrated Bar. He obtained his Bachelor of Arts degree and Bachelor of Laws degree from Ateneo de Manila University in 1964 and 1969 respectively. He passed the Philippine Bar Examination in 1969. Significant awards and recognition received by Mr. Bunye include the Asian Institute of Management Honor and Prestige Award, the Bangko Sentral Service Excellence Medal, the Gran Oden de Isabela Catolica, and the Order of Lakandula.

Karl Kendrick T. Chua
Position: Non-Executive Director

Mr. Chua serves as a board of director of BanKo and BPI. He is currently the Managing Director for Data Science and Artificial Intelligence in Ayala Corporation. He is also a Director of AC Ventures and an Independent Director of D&L Industries, Inc, and Golden ABC, Inc. Mr. Chua also serves as a Board Adviser in LH Paragon, Inc.

Mr. Chua is a former Secretary of the National Economic and Development Authority and Undersecretary for Strategy, Economics, and Results at the Department of Finance. He has extensive experience in the areas of economic and fiscal policy, statistical development, national identification, labor and social protection policy, poverty analysis, and digital transformation, among others.

He is currently an adviser for the World Bank's World Development Report and a member of the Selection Committee of the Asian Development Bank and International Economic Association Innovative Policy Research Award.

Mr. Chua was a senior official in the Government of the Philippines for six years. As Secretary of Socioeconomic Planning and Chief Economist of the country, he provided strategic leadership on economic policy during the Covid-19 pandemic and the further liberalization of key sectors of the economy. He also oversaw the implementation of the national ID program.

As Undersecretary in the Department of Finance, he led the technical team in the passage of the Comprehensive Tax Reform Program and the Rice Tariffication Law. Prior to joining the government, he was with the World Bank for 12 years and was the senior economist for the Philippines.

Mr. Chua graduated from the Ateneo De Manila University in 2000 with a degree in B.S. Management Engineering. He earned his M.A. Economics (2003) and Ph.D Economics (2011) from the University of the Philippines, and recently studied data science at the Asian Institute of Management. In 2018, he was awarded as one of the Ten Outstanding Young Men of the Philippines (TOYM) for economic development.

Cezar P. Consing
Position: Non-Executive Director

Mr. Consing was elected as regular director of the Bank in April 2021. He served as President and Chief Executive Officer of BPI from 2013 to 2021. He also serves as member of the board of directors of Bank of the Philippine Islands, BPI Asset Management and Trust Corporation (also known as BPI Wealth) and BPI Capital Corporation.

Mr. Consing is the chairman of Philippine Dealing System Holdings and its three operating subsidiaries, a position he has held since 2019. Mr. Consing is currently the President and CEO of Ayala Corporation, and Vice Chairman of Globe Telecom and AC Energy, all publicly listed companies. He is also a director of the Singapore-listed Yoma Strategic Holdings Ltd. and the Myanmar-listed First Myanmar Investment Public Company Limited. He likewise served as the chairman and president of the Bankers Association of the Philippines from 2019-2021. He was the president of Bancnet, Inc. from 2017-2021.

Mr. Consing received an A.B. Economics degree (Accelerated Program), Magna Cum Laude, from De La Salle University, Manila, in 1979. He obtained an M.A. in Applied Economics from the University of Michigan, Ann Arbor, in 1980.

Jose Ferdinand B. De Luzuriaga
Position: Independent Director

Mr. De Luzuriaga is the Chairman of the Bank's Risk Management Committee and a member of the Audit Committee and the Nominations Committee. He is also an Independent Director and Chairman of the Audit Committee of Ayala Plans Incorporated. Mr. de Luzuriaga is likewise an Independent Director and a member of the Audit Committees and Risk Managenent Committees of BPI Tokyo Century Lease and Finance Corporation and BPI Tokyo Century Rental Corporation. Concurrently, he has been serving in various Board positions of the Inquirer Group of Companies: Philippine Daily Inquirer Incorporated, Inquirer Interactive Incorporated, Arsenal Marketing Consultancy Incorporated, Megamobile Incorporated, and LINQ Information Entertainment Quadrant Corporation.

Mr. de Luzuriaga has had four decades of experience in diverse industries --- in agriculture, manufacturing, engineering, food processing, transport, commodities, property development, thrift banking, investment banking, nongovernment organizations, education, pre-need, insurance, media, publishing, private equity, venture capital, fund management, content marketing and technology companies. He is an alumnus of the Asian Institute of Management and the University of the Philippines.

Rodell A. Garcia
Position: Non-Executive Director

Mr. Garcia has more than 40 years of experience in Information Technology across banking, telecommunications, water utility and healthcare industries. He occupied key senior executive positions and led IT teams in the development and implementation of new and innovative technologies, some of which gained recognition and awards in the international community. Further, he was the Executive Lead of G-Cash, the Philippines' pioneering and award-winning mobile commerce application launched in 2004 and is one of the earliest implementations of e-money.

Mr. Garcia was recognized as Outstanding CIO of 2005-2006 by the Philippine Computer Society and one of the 100 Premier Technology Leaders of 2017 by Computerworld USA. He graduated in 1976 with a Bachelor of Science in Mathematics degree from the Ateneo de Manila University under a scholarship grant from the National Science Development Board.

Jerome B. Minglana
Position: Executive Director, President

Mr. Minglana previously served as President of BPI Globe BanKO from 2015-2016. He also took on other roles in BPI, such as Vice President and Division Head of Retail Banking Group and served as Area Business Director of extreme North Luzon area.

Mr. Minglana obtained his Bachelor of Science in Accountancy and BS Commerce major in Management degrees from St. Louis University in 1994 and 1995 respectively.

Aurelio R. Montinola III
Position: Non-Executive Director

Mr. Montinola was a member of the Bank's Personnel and Compensation Committee, Nomination Committee and Corporate Governance Committee. He served as President and Chief Executive Officer of BPI for eight years from 2005 to 2013, and BPI Family Savings Bank, Inc. for 12 years from 1992 to 2004. Mr. Montinola is the Chairman of the Board of Far Eastern University and an Independent Director of Roxas and Company, both listed companies. He is also the Chairman of the Nicanor Reyes Educational Foundation Inc., Roosevelt College, Inc., East Asia Computer Center Inc. and Amon Trading Corporation. He is also a member of the Board of Trustees of BPI Foundation Inc., a director of Bank of the Philippine Islands and BPI Capital Corporation.

Among the significant awards received by Mr. Montinola include Management Man of the Year 2012 (Management Association of the Philippines), Asian Banker Leadership Award (twice), and Legion d'Honneur (Chevalier) from the French Government. He obtained his degree in Bachelor of Science in Management Engineering from the Ateneo de Manila University in 1973 and his MBA from Harvard Business School in 1977.

Jesus V. Razon, Jr.
Position: Independent Director

Mr. Razon is the Chairman of the Bank's Audit Committee and a member of the Corporate Governance, Nomination and Personnel and Compensation committees. Mr. Razon was the Senior Vice President of the Consumer Banking Group and Human Resources Management Group at BPI. He also previously served as a Director of various Bank of the Philippine Island subsidiaries.

Mr. Razon received his Master in Management from the Asian Institute of Management in 1990 and his degree in AB Economics from the Ateneo de Manila University in 1967.

Juan Carlos L. Syquia
Position: Non-Executive Director

Mr. Syquia, is a member of the Bank's Corporate Governance, Nomination and Personnel and Compensation committees. He is an Executive Vice President and Head of Institutional Banking in Bank of the Philippine Islands. Mr. Syquia's responsibilities include managing the Corporate Banking Relationship Management, Commercial Banking Relationship Management, Corporate & Commercial Credit Products, Transaction Banking (Cash Management and Trade), Remittance & Fund Transfer, and Investment Banking (which includes Equity Brokerage) units of the Bank. He is also Chairman of the Board of Directors of BPI's merchant acquiring joint venture company, Global Payments Asia-Pacific Philippines Incorporated. Mr. Syquia also serves as a member of the Board of Directors of BPI's investment banking subsidiary, BPI Capital Corporation.

Mr. Syquia has over 30 years of work experience in the financial services industry. Before taking on his current role in BPI, he was the President of BPI Capital Corporation and Co-Head for Investment Banking for the Bank. He re-joined BPI via BPI Capital Corporation in June 2016. Prior to this, Mr. Syquia was Managing Director and Country Head of Corporate Clients for Standard Chartered Bank in the Philippines serving in that role from late 2011. In that role, he was principally responsible for wholesale banking strategy of the bank in the Philippines.

Mr. Syquia spent 17 years with the ING Group where he started with Baring Brothers & Co. in 1994. Within the banking group of ING, he took on various roles in relationship management, corporate finance origination, and investment banking execution. His last role in ING Bank was as Managing Director, Head of Corporate Finance at ING Bank Manila. In 2007, he moved to a regional role based in Hong Kong as Head of Strategy and Business Development at ING Asia Pacific Ltd., the regional hub of ING Group's life insurance and asset management practice. He held Board of Director positions at ING Insurance Bhd. (Malaysia), Pacific Antai Life Insurance Co. (Shanghai, China), ING Vysya Life Insurance (India).

Mr. Syquia is a product of the BPI's Officer Training Program which he completed in 1990 during his first stint at BPI. In 1991, he was assigned to the Cebu region where he formed part of a two-man team that established the Corporate Banking Division desk in Cebu. He carries an MBA Degree (Honors) with a concentration in Finance and International Business from Fordham University, NY as well as an AB degree in Management Economics from the Ateneo de Manila University.

Jaime Alfonso Antonio E. Zobel de Ayala
Position: Non-Executive Director

Mr. Zobel de Ayala is the Head of Business Development of Ayala Corporation. He is also a Director of Ace Exenor, Inc., MCT Berhad, BPI Capital Corporation, Ayala Land Logistics Holdings Corp., AC Energy International, Inc. and AC Ventures Holdings Corporation.

Mr. Zobel de Ayala graduated from Harvard in 2013 with a Degree in Primary Concentration in Government and completed his MBA from Columbia University in 2019.

Corporate Secretary

Maria Lourdes P. Gatmaytan, Filipino, 54 years old, was appointed Corporate Secretary on June 22, 2022. She is concurrently the Co-Head of Legal/ Head of Corporate Legal Affairs and Corporate Secretary of Bank of the Philippine Islands. She also serves as Corporate Secretary of BPI Asset Management and Trust Corporation, BPI Investment Management, Inc., and BPI/MS Insurance Corporation.

Atty. Gatmaytan earned her Juris Doctor degree from the Ateneo de Manila School of Law, graduating with honors in 1993. She received her Bachelor of Science degree in Legal Management from the Ateneo de Manila University in 1989.

Board of Directors

Director's Name	Type of Directorship	Appointment	No. of Years as Director	Age	Nationality
Marie Josephine M. Ocampo	NED	As Director, November 1, 2018; As Chairman, January 2020	5 years, 2 mos; 3 years, 11 mos	61	Filipino
Gerardo C. Ablaza, Jr.	NED	June 22, 2022 to present	1 year, 6 mos	70	Filipino
Ignacio R. Bunye	ID	June 27, 2018 to present	5 years, 6 mos	78	Filipino
Karl Kendrick T. Chua ****	NED	August 23, 2023 to present	4 mos	45	Filipino
Cezar P. Consing *	NED	April 28, 2021 to June 2023	2 years, 2 mos	64	Filipino
Jose Ferdinand B. De Luzuriaga	ID	February 22, 2017 to present	6 years, 10 mos	61	Filipino
Rodell A. Garcia **	NED	June 29, 2023 to present	6 mos	67	Filipino
Jerome B. Minglana	ED	February 22, 2017 to present	6 years, 10 mos	50	Filipino
Aurelio R. Montinola III *	NED	February 22, 2017 to present	6 years, 10 mos	72	Filipino
Jesus V. Razon, Jr.	ID	February 24, 2016 to present	7 years, 10 mos	77	Filipino
Juan Carlos L. Syquia **	NED	June 29, 2023 to present	6 mos	57	Filipino
Jaime Alfonso Antonio E. Zobel de Ayala ***	NED	June 24, 2020 to August 2023	3 years, 2 mos	33	Filipino

* Board member until 29 June 2023
** Elected as Board member effective 29 June 2023
*** Board member until 23 August 2023
**** Elected as Board member effective 23 August 2023

Audit Committee

The Audit Committee monitors and evaluates the adequacy and effectiveness of the Bank's system of internal control systems, risk management, and governance practices. It provides oversight on the integrity of the Bank's financial statements and financial reporting process, performance of the internal and external audit functions and compliance with bank policies, applicable laws, and regulatory requirements. This Committee also reviews the external auditor's annual audit plan and scope of work, and assesses its overall performance and effectiveness. In consultation with management, this Committee also approves the external auditor's terms of engagement and audit fees.

Chairman	Jesus V. Razon, Jr. (Independent)
Members	Gerardo C. Ablaza, Jr Jose Ferdinand B. De Luzuriaga (Independent)

Corporate Governance Committee

The Corporate Governance Committee assists the Board in fulfilling its corporate governance responsibilities and ensures the Board's effectiveness and due observance of sound corporate governance principles and guidelines, as embodied in the Manual of Corporate Governance.

It also performs the function of a Related Party Transaction Committee and is charged with ensuring that the Bank's dealings with the public and various stakeholders are imbued with the highest standards of integrity. In conjunction with the Audit, Risk, and Corporate Governance Committees, this Committee endeavors to ensure compliance with Bangko Sentral regulations and guidelines on related party transactions. The committee independently reviews, vets, and endorses significant and material related party transactions—above and beyond transactions qualifying under directors, officers, shareholders, and related interest restrictions—such that these transactions are dealt on terms no less favorable to the Bank than those generally available to an unaffiliated third party under the same or similar circumstances.

Chairman	Ignacio R. Bunye (Independent)
Members	Jesus V. Razon Jr. (Independent) Aurelio R. Montinola III* Juan Carlos L. Syquia**

* Committee member until 29 June 2023
** Committee member effective 29 June 2023

Nomination Committee

The Nomination Committee ensures that the Board of Directors is made up of individuals of proven integrity and competence, and that each member possesses the ability and resolve to effectively oversee the Bank in his capacity as board member and member in their respective board committee. This Committee also reviews and evaluates the qualifications of all persons nominated to the Board.

Chairman	Marie Josephine M. Ocampo
Members	Jose Ferdinand B. De Luzuriaga (Independent) Aurelio R. Montinola III* Juan Carlos L. Syquia**

* Committee member until 29 June 2023
** Committee member effective 29 June 2023

Personnel and Compensation Committee

The Personnel and Compensation Committee directs and ensures the development and implementation of long-term strategies and plans for the Bank's human resources, in alignment with the Board's vision for the organization.

Chairman	Marie Josephine M. Ocampo
Members	Jesus V. Razon Jr. (Independent) Aurelio R. Montinola III* Juan Carlos L. Syquia**

* Committee member until 29 June 2023
** Committee member effective 29 June 2023

Risk Management Committee

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

The Risk Management Committee is tasked with nurturing a culture of risk management across the enterprise. It supports the Board by overseeing and managing the Bank's exposures to financial and non-financial risks, assesses new and emerging risk issues across the Bank, regularly reviews the Bank's risk management appetite, policies, structures and metrics, and monitors overall liquidity and capital adequacy, in order to meet and comply with regulatory and international standards on risk measurement and management.

Chairman	Jose Ferdinand B. De Luzuriaga (Independent)
Members	Gerardo C. Ablaza, Jr Ignacio R. Bunye (Independent)

Meetings and Attendance

The BPI Direct BanKo Board meets regularly for the effective discharge of its obligation. Regular board meetings are convened monthly, held every fourth Wednesday of the month. Board of Directors meetings are set immediately after the Annual Stockholder Meeting to cover the full term of the newly elected or re-elected members of the Board, reckoned from the date of the current year's Annual Stockholder Meeting to that of the following year. Special meetings may be called for as needed. Discussions during the board meetings and open independent views are given due consideration. Board reference materials are made available to the directors at least five days in advance of the scheduled meeting. Independent and Non- Executive Directors of the Bank also meet at least once a year without the presence of the executive director or management. The Non-Executive Directors meeting was held on 15 December 2023.

The Board's full-year attendance at the 2023 Board Meetings and Committee Meetings are outlined as follows:

BOARD

NAME OF DIRECTOR	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Marie Josephine M. Ocampo	13	13	100%
Jerome B. Minglana	13	13	100%
Gerardo C. Ablaza, Jr.	13	11	85%
Ignacio R. Bunye	13	13	100%
Karl Kendric T. Chua*	5	5	100%
Cezar P. Consing**	6	2	33%
Jose Ferdinand B. de Luzuriaga	13	13	100%
Rodell A. Garcia***	7	7	100%
Aurelio R. Montinola III**	6	4	67%
Jesus V. Razon, Jr.	13	13	100%
Juan Carlos L. Syquia***	7	7	100%
Jaime Alfonso Antonio E. Zobel de Ayala****	8	7	88%

*Elected as Board member effective 23 August 2023
** Board member until 29 June 2023
*** Elected as Board member effective 29 June 2023
****Board member until 23 August 2023

AUDIT COMMITTEE

NAME OF DIRECTOR	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Gerardo C. Ablaza, Jr.	6	5	83%
Jose Ferdinand B. De Luzuriaga	6	6	100%
Jesus V. Razon, Jr.	6	6	100%

RISK MANAGEMENT COMMITTEE

NAME OF DIRECTOR	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Gerardo C. Ablaza, Jr.	5	4	80%
Ignacio R. Bunye	5	5	100%
Jose Ferdinand B. De Luzuriaga	5	5	100%

CORPORATE GOVERNANCE COMMITTEE

NAME OF DIRECTOR	NO. OF MEETINGS	NO. OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Ignacio R. Bunye	2	2	100%
Aurelio R. Montinola III*	1	1	100%
Jesus V. Razon, Jr.	2	2	100%
Juan Carlos L. Syquia**	1	1	100%

NOMINATION COMMITTEE

NAME OF DIRECTOR	NO. OF MEETINGS	NO. OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Marie Josephine M. Ocampo	2	2	100%
Jose Ferdinand B. De Luzuriaga	2	2	100%
Aurelio R. Montinola III*	1	1	100%
Juan Carlos L. Syquia**	1	1	100%

PERSONNEL & COMPENSATION COMMITTEE

NAME OF DIRECTOR	NO. OF MEETINGS	NO. OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Marie Josephine M. Ocampo	1	1	100%
Jesus V. Razon, Jr.	1	1	100%
Juan Carlos L. Syquia**	1	1	100%

* Committee member until 29 June 2023
** Elected as Committee member effective 29 June 2023

Director Education and Training

The Board ensures that directors acquire appropriate skills upon appointment, and thereafter remain abreast of relevant new laws, regulations, and changing commercial risks through in-house training and external courses. The following table shows the training received by our Directors:

Marie Josephine M. Ocampo Gerardo C. Ablaza, Jr. Ignacio R. Bunye Jose Ferdinand B. de Luzuriaga Jerome B. Minglana Jesus V. Razon, Jr. Juan Carlos L. Syquia	BPI Executive Session on AML and FINCRIME Compliance by SGV on September 26, 2023 2023 Ayala Integrated Corporate Governance, Risk Management, and Sustainability Summit by Institute of Corporate Directors on October 03, 2023 2023 Ayala Integrated Corporate Governance, Risk Management, and Sustainability Summit by Institute of Corporate Directors on October 03, 2023 Money Laundering and Terrorist Financing Prevention Program by BPI on November 29, 2023
Karl Kendrick Chua * Rodell A. Garcia **	Corporate Governance Orientation Seminar by Institute of Corporate Directors on June 6, 2023* and September 6, 2023 ** BPI Executive Session on AML and FINCRIME Compliance by SGV September 26, 2023 2023 Ayala Integrated Corporate Governance, Risk Management, and Sustainability Summit by Institute of Corporate Directors on October 03, 2023

Performance Evaluation and Self-Assessment

Monitoring of governance by the Board requires a continuous review of the internal structure of the Bank to ensure that there are clear lines of accountability for management throughout the organization.

In this regard, the Board, under the guidance of the Corporate Governance Committee, annually conducts a self-assessment to ascertain the alignment of leadership fundamentals and issues, validate the Board's and Senior Management's appreciation of its roles and responsibilities and confirm that the Board and Senior Management possesses the right mix of background and competencies. Performance of the Board and Senior Management is measured on the basis of what it delivers and how it delivers, how it meets its responsibilities to all BPI Direct BanKo stakeholders, and how it addresses issues that impact the Board's and Senior Management ability to effectively fulfill its fiduciary duties.

Succession Planning and Talent Management

Financials services today face many transformative factors – regulation, market disruption, new technologies and business models, competition- that affect the business in major and long-term ways. Our Board understands that the Bank must continually evolve, adapt, and even restructure the business to remain ahead of strategic, market, technology and regulatory shifts. The Board, through its Personnel and Compensation Committee, manages the talent pipeline and assembles the required personnel capable of navigating such changes.

In consultation with the President, the Personnel and Compensation Committee reviews the Bank's talent development process for proper management. Senior management provides a report to this Committee on the results of its talent and performance review process for key management positions and other high-potential individuals. Aside from ensuring that there is a sufficient pool of qualified internal candidates to fill senior leadership positions, this review process identifies opportunities, performance gaps, and proactive measures in the Bank's executive succession planning. And as part of the same executive planning process, the Committee as a whole or a part thereof, in consultation with the Board and the President, evaluates and nominates potential successors to the President and the Senior Management.

Induction and Director Education

Board members acquire appropriate skills at appointment, and thereafter remain abreast of relevant new laws, regulations, and changing commercial risks through in-house training and external courses. New Directors are briefed on BPI Direct BanKo's background. Organizational structure, and, in compliance with Bangko Sentral Circular No. 758, the general and specific duties and responsibilities of the Board.

They also receive briefings on relevant policies and rules governing their roles as Directors. They are given an overview of the industry, regulatory environment, business of banking, strategic plans of the Bank, its governance framework, i.e. Manual of Corporate Governance, Director's Code of Conduct, Board operations (schedules, procedures and processes), including support from the Corporate Secretary and senior management. Continuing education of Board members includes internal meetings with senior executives and operational or functional heads, dedicated briefings, on specific areas of responsibility within the business and special presentations on current issue or regulatory initiatives with respect to Data Privacy, Cyber Risk, and Cyber Security, the Anti- Money Laundering and Terrorist Financing Prevention Program, Foreign Account Tax Compliance Act, Securities Regulations Code, SEC memorandum circulars, and Bangko Sentral regulations, among others. The Bank brings technical, subject matter experts as needed. Other in-bank courses on anti- money laundering, business continuity management, conflict of interest, risk management overview, and information security awareness. Board members also regularly attend governance conferences, and summits.

Remuneration

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

The shareholders approve the level of remuneration and/or benefits for directors sufficient to attract and retain directors and compensate them for their time commitments and responsibilities of their role.

Our Personnel and Compensation Committee (PerCom) recommends to the Board the fees and other compensation for directors, ensuring that compensation fairly remunerates directors for work required in a company of BanKo's size and scope. As provided by our Amended By-Laws and pursuant to approval by the stockholders, each director is entitled to receive fees and other compensation for his services as director.

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

Board members with executive responsibilities within the BPI group are compensated as fulltime officers of the company, not as Executive Directors or Non-Executive Directors. No director participates in discussions of the remuneration scheme for himself or herself. The remuneration policy is reviewed annually to ensure that it remains competitive and consistent with the Bank's high performance culture, objectives, and long-term outlook, risk assessment and strategies.

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

Code of Business Conduct and Ethics

BanKo's core values encapsulate what we believe in and what we stand for. All Directors and Employees are expected to observe the highest standards of accountability, performance, punctuality, honesty, integrity, courtesy, and teamwork, and thus contribute to the achievement of the Bank's goals of customer satisfaction, excellence and profitability.

Whistleblower Policy

The Whistleblower Program is the Bank's mechanism for preventing and detecting fraud or misconduct, and enabling fast and coordinated incident responses and avenues for establishing cause, remedial actions, and damage control procedures.

Under the Policy, it is the responsibility of all personnel, including the Board, Officers and employees, to comply with the rules and regulations of the Bank and to report violations or suspected violations in accordance with the Whistleblower Policy. Any person who knowingly aids, abets, or conceals or otherwise deliberately permits the commission of any irregular or fraudulent act directed against the Bank shall be considered as guilty as the principal perpetrators of the fraud or irregularity. Hence, all personnel, including the Board, Officers and employees, have a duty to cooperate with investigations initiated under the policy.

Anti-Bribery and Anti-Corruption Policy

The Bank puts the highest premium on sound, responsible and effective corporate governance and does not tolerate bribery, corruption or improper acts of any kind in all business dealings. As such, it has enabled and equipped the Bank's officers and Employees, with the requisite policies, programs and guidance through its Code of Business Conduct and Ethics and Standards on Conflict of Interest to combat risks in corruption and bribery.

Remuneration Structure and Policies

Remuneration for the President and Senior Management is set in the same way as for all officers, employees and staff, being contractually fixed, based on the role, the skills and experience of the individual, and reviewed annually with reference to relevant market benchmarks. Remuneration for Senior Management, as reflected in the ratio between fixed and variable components of their total compensation, changes according to performance, rank and function.

- The PerCom ensures that Senior Management remuneration and incentives reflect prudent risk-taking and effective control.

- Salary reviews (covering fixed and variable compensation) are done annually to ensure market competitiveness of the senior officer's total remuneration. The Bank also participates in Executive and Total Remuneration Surveys to benchmark on its market positioning.

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

These principles of paying competitively and paying for performance applies equally to our Board, Senior Management, Officers and staff. Senior management and staff remuneration must reflect the interest of the shareholder and the Company, and is structured to encourage the long-term commitment of the employee as well as long term outlook and plans of the Company.

Retirement Policy

The best interests of BanKo are served by retention of directors that make very meaningful contributions to the Board and the organization, regardless of age. It is the Bank's strong view that with age often comes unmatched wisdom and experience, expert business judgement, invaluable industry and community relations and authority, and deeply ingrained appreciation of the principles of corporate governance. The Bank believes that imposing uniform and fixed limit on director tenure is counter-productive as it may force the arbitrary retirement of valuable directors.

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

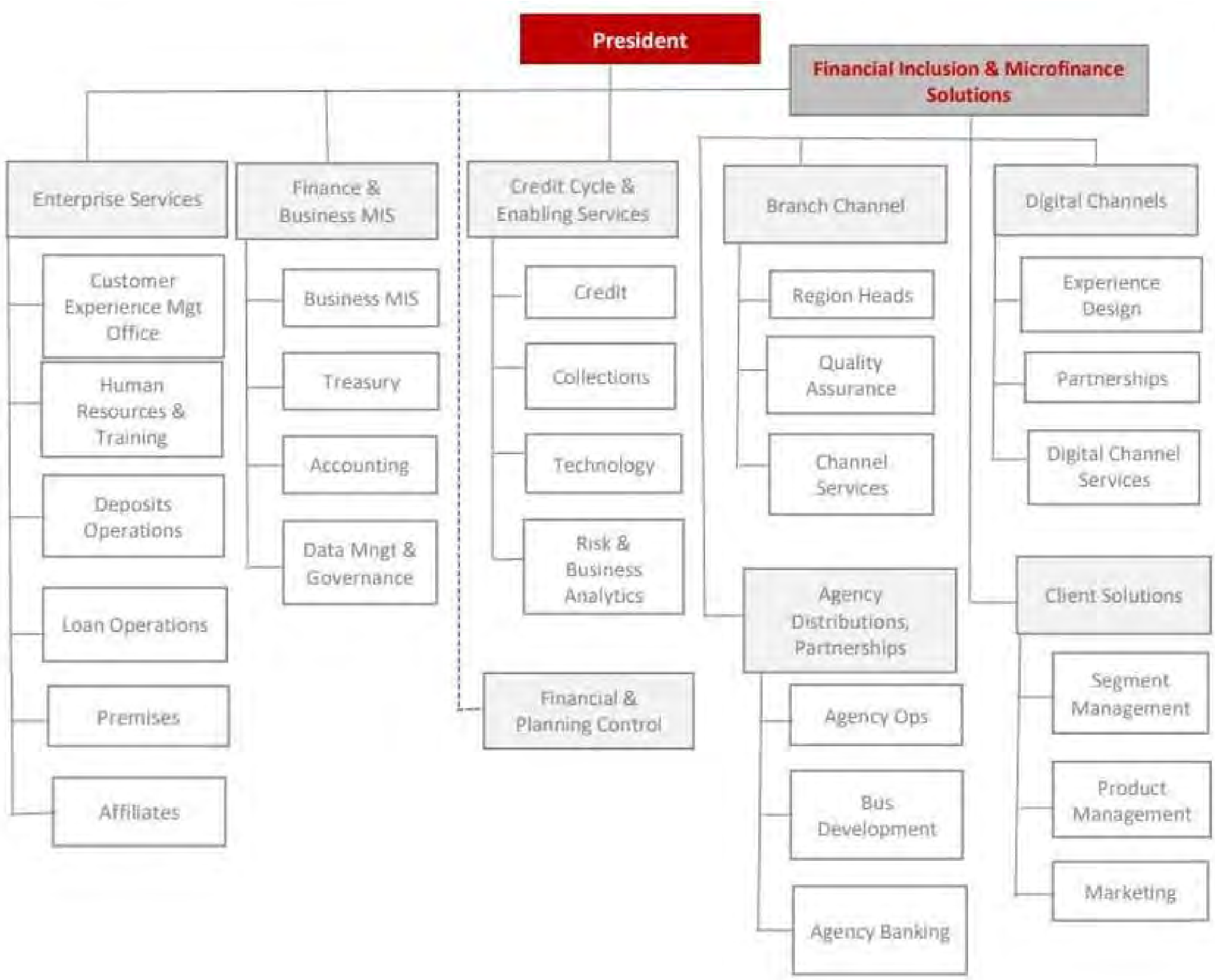
Related Party Transactions

As part of the Bank's effort to ensure that transactions with related parties are normal banking activities and are done at arm's length, vetting is done either by the BanKo Management Vetting Committee, the Board-level Corporate Governance Committee or the BPI Related Party Transaction Committee, depending on materiality, prior to implementation.

OPERATING MANAGEMENT

The following is an overview of the Bank's principal activities and its functional organization. (as of December 31, 2023):

TABLE OF ORGANIZATION



INTERNAL AUDIT AND CONTROL

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

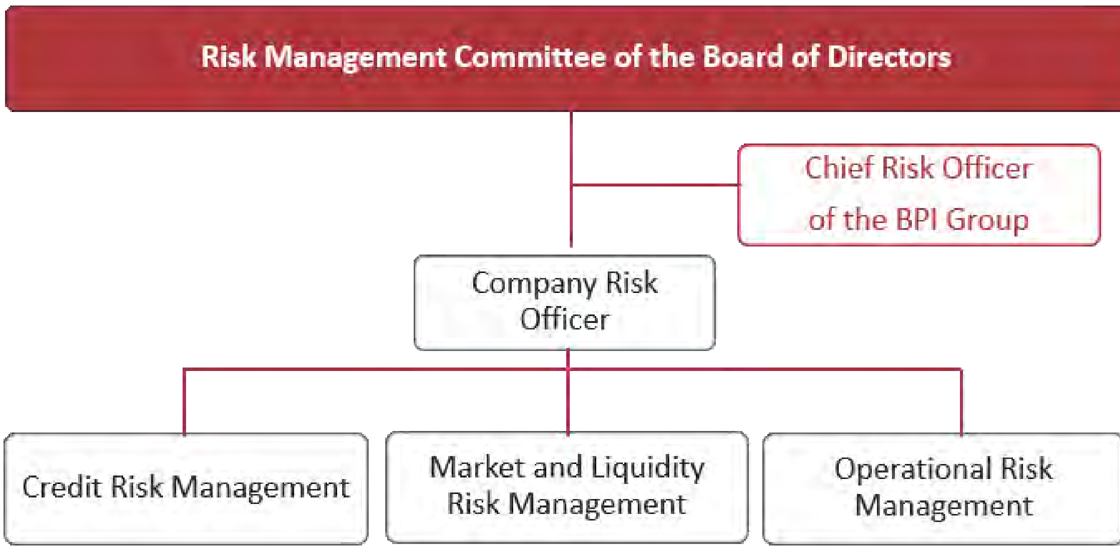
It collaborates with other assurance providers such as the Risk Management Office, Compliance Office, external auditors, and other oversight units for a comprehensive review of risks and compliance in the institution, and ensures that business units proactively manage the risk and compliance exposures.

The internal audit function as empowered by the Internal Audit Charter includes free access to all records, properties and personnel. In this respect, the Audit Committee reviews the internal audit function, including its independence and the authority of its reporting relationship. The Internal Audit Division continuously improves the capabilities of its auditors through continuous education on specialized areas knowledge, auditing techniques, regulations, and banking products and services.

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

RISK MANAGEMENT

Comprehensive Framework



BanKo, under the centralized Enterprise Risk Management (ERM) of BPI, pursues best practices across its businesses and processes. We have an established ERM and capital management framework that enables the Bank to systematically identify, measure, control, and monitor significant financial and non-financial risk exposures, ensure adequate liquidity, and sufficient capital to support growth and business resilience. The framework covers traditional risks that the Bank is exposed to such as credit, market, and operational and information technology (IT) risks, as well as emerging risks such as environmental and social risks (refer to ESRMS under Sustainability Agenda).

The framework covers traditional risks that the Bank is exposed to such as credit, market and liquidity, and operational and information technology (IT) risks, and other risks such as reputational, conduct, model, legal and tax, and environmental and social risks. The Bank's framework is anchored on the regulatory guidance set by the BSP which emphasizes effective risk management governance, robust business continuity and operational resilience standards, financial viability, and soundness through the conduct of internal capital adequacy assessments, and the adoption of various risk management processes and methods that are regularly reviewed and updated. (Recommendation 2.11, 12.4 SEC CG Code for PLCs).

Cultivating a Risk-Aware Culture.

Our risk culture is anchored on our vision of transparency and integrity in the workplace, creation of sustainable value, and delivery of maximum returns to stakeholders. To fulfill our responsibilities to clients, employees, stakeholders, regulators, and our country, we exercise proactive and prudent risk management. The Bank actively promotes a culture of ethical behavior and risk management best practices, emphasizing that risk management is a shared responsibility that is integral to day-to-day activities.

Integrated Approach

Risk management in BanKo adopts a top-down approach, with the Board driving risk appetite setting and overall risk strategy. The Board fulfills its risk management function through the Risk Management Committee (RMCom). The RMCom defines risk appetite statements at functional and enterprise levels, oversees and reviews risk management structures, metrics, limits, and issues across the BPI Group of Companies (BPI Group). The RMCom guides our risk strategy framework, emphasizing sound risk management governance, value-enhancing and business-enabling risk methods and processes, and risk-intelligent data and technologies. It ensures oversight on risks, monitors regulatory and internal capital adequacy vis-à-vis risk exposures, and promotes a strong risk culture of the Bank. Operating on the "Three Lines of Defense" model, we manage risks through clearly delineated functions to ensure effective risk management governance and control processes across the Bank. This model defines the risk management responsibilities of each unit owning and managing the risk (1st line), overseeing the risk management function (2nd line), or providing independent assurance on the quality and effectiveness of risk management and internal controls (3rd line).

Management-level Committees are also established to strengthen the Bank's risk management by aligning strategies with organizational goals and improving decision-making in specific business areas. With transparent reporting, they cultivate a risk-aware culture, enhancing operational resilience, crisis preparedness, and strategic alignment.

Chief Risk Officer (CRO)

The CRO of the BPI Group provides direct oversight to the Company Risk Officer of the Bank. The Company Risk Officer reports directly to the RMCom and is responsible in leading the formulation of risk management policies and methodologies, aligned with the Bank's overall business strategies, ensuring a prudent and rational approach to risk-taking that is commensurate with returns on capital, and within our risk appetite. Our risk appetite is a careful measure of the amount of risk we are willing to assume in order to achieve business objectives. Risk appetite statements are regularly reviewed and approved by the Board through the RMCom. The CRO is supported by the RMO, a team of skilled risk managers dedicated to identifying, measuring, controlling, and monitoring the Bank's risk exposures. Through continuous training and development programs, including risk awareness campaigns, our risk managers stay informed about industry developments, emerging risks, and risk management best practices. The CRO and the RMO actively engage the RMCom, Management, and business units to effectively communicate our risk culture and best practices.

We identify risks according to three major classifications:

- Credit Risk (including concentration)
- Market (including foreign exchange, interest rate, and equity price risks) and Liquidity Risks
- Operational and Information Technology (IT) Risks

Credit Risk refers to the risk of default on obligations that may arise if a borrower or counterparty fails to make required payments such as principal and/or interest on an agreed date; market risk is due to price movements/fluctuations in trading and distribution activities of credit securities, foreign exchange, and derivative instruments (as allowed by regulation); liquidity risk is from the management of our cash flows and balance sheet; and operational and IT risks from inadequate or failed internal processes, people, information technology and systems, and threats from external events that pose risks of financial losses and damage to our reputation. We are likewise cognizant of other risks (e.g., environmental, social, legal and tax risks, etc.) that we may be exposed to in our day-to-day business activities and operations. In managing our financial and non-financial risks, we have established risk management processes and controls, and use various methodologies, metrics, tools, and systems to identify, measure, monitor and control our risk exposures.

In compliance with BSP Circular 989 (Conduct of Stress Testing Exercises), the RMO and the Corporate Strategy, Investor Relations, and Sustainability group have employed a formal integrated risk and capital stress testing framework, with a forward-looking assessment of risks under given stressed scenarios identified or developed by our experts. Among others, these stress testing scenarios include the impact of possible economic crisis through stressed macroeconomic variables forecasts, impacts of climate and environmental risk, and reputational risks to the Bank's portfolio. These scenarios are carefully considered to assess the financial and capital impact and to facilitate the development of the Bank's capital contingency and recovery plans.

Independent reviews are regularly conducted by our internal audit, external auditors, and regulatory examiners to verify the effectiveness of controls and risk mitigation measures. We also engage various risk management experts to independently assess our risk maturity across key areas, including business continuity, cyber and information security, and ERM.

All these efforts have been undertaken and conscientiously practiced in recognition of BSP Circular 971 (Risk Governance), as well as benchmarked to the Committee of Sponsoring Organization's (COSO) ERM integrated framework. These have likewise proven indispensable with our reliance and belief in our established risk management system to ensure continued delivery of value to our stakeholders especially during periods of unprecedented uncertainties and economic downturns.

Credit Risk. The Bank's Credit Risk Management Unit supported by BPI's Credit Policy and Risk Management (CPRM) Division is responsible for the overall management of the Bank's credit risks. The Credit Risk Management Unit is accountable to the RMCom in managing the Bank's credit risk appetite and in credit risks and asset quality. In addition, the unit supports Senior Management in ensuring the overall quality of our loan and investment portfolios by adopting proper risk control strategies and adequate monitoring and reporting. The BPI's CPRM performs independent business portfolio and product credit reviews to ensure that our prudent credit evaluation and underwriting standards and rating parameters are complied with.

In 2023, we continue to experience modest growth in loan volumes, but is able to manage overall credit risk profile and maintain asset quality as evidenced by acceptable levels of non-performing loans (NPLs), generally at par or lower-than-industry NPLs, and adequate reserves cover), and does so in general compliance with internal and prudential requirements relating to credit risk management (including compliance to Related Party Transaction (RPT) guidelines, single borrower's limits, credit risk concentration, and internal and regulatory stress tests, among others). We continue to maintain a diversified loan portfolio with no significant concentrations. Top borrower exposures, remain within the internal and regulatory single borrower's limit.

We regularly review the appropriateness of the classification and impairment rates of defaulted or impaired accounts.

We adopt credit risk scorecards to assess borrowers' creditworthiness. Both financial and non-financial variables were considered in the scorecard development process, and all scorecards were subjected to expert judgment meetings with key business lending units. The models undergo independent validation as well as regular monitoring for predictive power and performance.

We fully implemented Philippine Financial Reporting Standards 9 (PFRS 9)-based policies, models, and ECL methodologies for all of our credit and investment portfolios, rendering them compliant to both the BSP and PFRS. Loss provisioning for loan and investment exposures are based on ECL, which is a function of the Probability of Default, Loss Given Default, and Exposure at Default. Any additional reserves are provided as qualitative management overlay, based on forward-looking moderate and/or adverse stress scenarios simulated by the Bank.

We measure our credit risk exposures in terms of regulatory capital requirements using the standardized approach in compliance with Basel III and BSP standards on minimum capital requirements. Using this approach, our credit exposures to sovereigns, corporates, and banks are risk-weighted to reflect the credit assessment from reputable credit ratings agencies (Moody's, Standard & Poor's, Fitch, and PhilRatings, where applicable). This approach also allows for the use of eligible collaterals (cash, financial instruments, and guarantees) to mitigate credit risks.

We are committed in integrating environmental and social standards in our lending activities and credit risk management principles. We continuously enhance our credit policies, processes, guidelines, and lending programs to conform with sound credit risk management, including practices that conform to the Bank's sustainability agenda not only to manage environmental and social risks, but also to pursue opportunities that would add and/ or enable value for the Bank's various stakeholders by positively impacting the environment and society. Existing credit manuals are regularly revisited and updated to reflect new developments and are aligned with the Bank's customer delight programs and business sustainability practices.

We regularly conduct stress tests on our loan portfolio to determine the impact of changes in various macroeconomic and/or industry scenarios, surface any undue credit concentration risk, and to comply with regulatory reporting. Assessment of stress testing impact to the Bank's financials is also performed simultaneously. In the most recent exercise, results showed that the Bank's Capital Adequacy Ratio (CAR) and Common Equity Tier 1 Ratio (CET1) generally remain above or at about the minimum regulatory capital requirements, even with assumed write-downs on the Bank's large exposures and consumer portfolios, and even with the economic scenario analyses of rising interest and inflation rates and Peso depreciation affecting the Bank's borrowers.

All these efforts have been undertaken in recognition of BSP Circular 855 (Sound Credit Risk Management Practices), BSP Circular 1085 (Sustainable Finance Framework), BSP Circular 1128 (Environmental and Social Risk Management Framework), BSP Circular 1150 (Prudential Framework for Large Exposures Monitoring Threshold), BSP Circular 1159 (Implementing Rules and Regulations of the Mandatory Agriculture, Fisheries and Rural Development Financing), and other related regulatory standards and guidelines.

Market, and Interest Rate in the Banking Book (IRRBB)

The bank is not actively trading and thus has no trading portfolio. We closely monitor the risk exposures on non-trading portfolios. Assets are marked-to-market, and the resulting gains and losses are recognized through profit or loss. Market risk exposures from these portfolios are measured using the historical simulation Value-at-Risk model complemented by several risk metrics such as Stop Loss and dollar duration (DV01).

Risk Management Office exercises its market, IRRBB, and liquidity risk management duties and responsibilities through its Market, IRRBB and Liquidity Risk Management (MLRM) Division. The Division employs various risk metrics commensurate to the size and sophistication of its business operations which guide us to effectively manage risks arising from position-taking, trading and investing strategies. Our risk exposures are continuously monitored against approved risk limits which are regularly reviewed and updated to align with our business objectives, strategies, and overall risk appetite. We also conduct forward looking scenario analyses, risk simulations, and stress tests to complement our risk metrics to provide a broader and holistic risk perspective to the RMCom and Management. For 2023, despite the heightened market volatility and uncertainties due to factors such as a tight monetary environment, still elevated inflation levels albeit on a decelerating pace, and continued geopolitical risks and developments, our market, IRRBB, and liquidity risk exposures were prudently managed and controlled within the RMCom-approved limits.

IRRBB is the current and prospective risk to our capital and earnings arising from adverse movements in interest rates that affect its banking book positions. Since excessive levels of interest rate risks in the banking book can pose a significant threat to the Bank's earnings and capital base, we have established adequate risk management policies and procedures, appropriate risk measurement models, risk limit structures, and a robust risk management system to manage our IRRBB.

Interest rate exposures from banking book activities are measured through (a) Earnings-at-Risk (EaR), or the potential deterioration in net interest income over the short- to medium- term horizon (i.e., those occurring in the next one to three years) due to adverse movements in interest rates, and (b) Balance Sheet Value-at-Risk (BSVaR), or the impact on the economic value of future cash flows in the banking book due to changes in interest rates. The EaR is calculated using the parametric approach based on the volatility of the daily year-on year rate movements for the short- to medium- term horizon (i.e., one to three years) at a 99% confidence level. The BSVaR, on the other hand, is measured using the historical simulation approach based on the daily year-on-year rate movements in the historical window at a 99% confidence level. BSVaR considers both principal and interest payments while EaR considers principal payments only. Both are built on the repricing profile of the balance sheet and utilize certain behavioral assumptions such as for deposit accounts which do not have specific maturity dates (i.e., current and/or savings accounts). IRRBB levels are against RMC approved limits and regularly reported to the RMC and Senior Management.

We always ensure adequate levels of liquidity and that contingency plans are in place in the event of liquidity stress. Our liquidity profile is measured and monitored through our internal metrics - the Minimum Cumulative Liquidity Gap (MCLG) and Intraday Liquidity Buffer Ratio (ILBR), and the regulatory metrics - Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The MCLG measures the smallest net cumulative cash inflow (if positively gapped) or the largest net cumulative cash outflow (if negatively gapped) over the next three months. This indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the Bank. In view of further strengthening our liquidity risk management, we implemented in 2022 the ILBR which was designed to promote the Bank's resilience against intraday liquidity risk by ensuring that adequate liquidity buffers are in place to meet unexpected outflows throughout the day without significantly affecting our funds or reserves management. The LCR determines the short-term resilience of our liquidity risk profile, requiring financial institutions to hold adequate levels of high-quality liquid assets to cover net cash outflows in the next thirty days. We, on a solo and consolidated basis, maintain adequate levels of liquidity to provide a sufficient buffer for critical liquidity situations. The Bank monitors and reports its significant currencies to track any potential currency mismatches that could impact on the LCR. The NSFR complements the LCR by limiting the overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts.

We perform regular stress testing activities to determine our ability to withstand and evaluate the impact of financial crises and other types of stress events. We conduct price stress tests in both the trading and banking books using a variety of interest rate shock scenarios to identify the impact of adverse movements in interest rates on our economic value and earnings and non-interest income. The design of the price and EaR stress tests includes various scenarios such as steepening and flattening yield curves, parallel up/down and short rate up/down, forward-looking and other notable stressed events that have occurred in the financial industry. The interest rate shocks applied are calibrated for all significant currencies in which we have significant positions. We also conduct liquidity stress tests using different risk events, scenario types, and stress horizons to assess our liquidity position and determine potential liquidity shortfalls during stress events. Scenario analyses and simulations are also performed to provide forward-looking liquidity conditions and anticipate potential liquidity and funding requirements.

The results of the stress tests are presented to the RMC and Senior Management as part of our overall risk management process. All these initiatives were undertaken to ensure that the relevant market, IRRBB, and liquidity risks are identified and controlled.

We have in place escalation procedures in handling potential and/or actual limit breaches in our market, IRRBB and liquidity risk metrics, enabling timely identification and reporting of risks and the formulation of appropriate action plans and strategies to prudently manage such risks and contain them at acceptable levels.

The risk management process, including its various components, is subject to regular monitoring and periodic independent review (i.e., internal/regulatory audit and model validation), and consistently calibrated to ensure accuracy, propriety, and timeliness of data and assumptions employed.

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Bank's liquidity profile is observed and monitored through its metric, the Minimum Cumulative Liquidity Gap (MCLG). The MCLG is the smallest net cumulative cash inflow (if positive) or the largest net cumulative cash outflow (if negative) over the next three (3) months. The MCLG indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the Bank. A red flag is immediately raised and reported to management and the RMC when the MCLG level projected over the next 3 months is about to breach the RMC-prescribed MCLG limit.

Liquidity Risk Management Process

The liquidity management process, as carried out within the BPI Group and monitored by the RMC includes:

- day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as borrowed by customers,
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring liquidity gaps and ratios against internal and regulatory requirements;
- managing the concentration and profile of debt maturities; and
- performing periodic liquidity stress testing on the BPI Group's liquidity position by assuming a faster rate of withdrawals in its deposit base.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, geography, counterparty, product and term as applicable.

Liquidity Coverage Ratio (LCR)

Pursuant to BSP Circular No. 905 issued in 2016, the Bank is required to hold and maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that are sufficient to meet its estimated total cash outflows over a 30 calendar-day period of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. It is designed to promote short-term resilience of the Bank's liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days. HQLA represent the Bank's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid securities. HQLAs therefore, serve as defense against potential stress events.

The main drivers of the Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits, unsecured borrowings, and commitment facilities, if any. The bank is not actively trading and thus has no trading portfolio. The Bank's business is primarily lending, and funds are sourced through deposit-taking activity and capital from the stockholders. There are no significant changes in the Banks' business model that would cause significant concern in maintaining the Bank's liquidity profile. The Bank's liquidity profile is determined by the Bank's ability to grow and maintain the deposit level within the plan to fund the growing loan portfolio. The Bank's average liquidity coverage ratio in 2023 is 161.49% (LCR /4 quarters).

The Bank has no exposure to derivatives and interest rate swaps. As such, there are no other inflows and outflows from derivatives. Other items considered relevant for the Bank's liquidity profile such as other contractual obligations are captured as other cash outflows in the LCR calculation.

Period	Average Liquidity Coverage Ratio
1st quarter	199.48%
2nd quarter	167.46%
3rd quarter	150.42%
4th quarter	128.58%
2023	161.49%

The Financial Management Department manages the Bank's liquidity position through asset-liability management activities. A centralized approach to funding and liquidity management enhances the Bank's ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs, and facilitates timely responses to liquidity events.

Net Stable Funding Ratio (NSFR)

On January 1, 2019, the Bank adopted BSP Circular No. 1007 issued in 2018 regarding the NSFR requirement. The NSFR is aimed at strengthening the Bank's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items as well as to limit the maturity transformation risk of the Bank. The NSFR is expressed as the ratio of available stable funding and the required stable funding and complements the LCR as it takes a longer view of the Bank's liquidity risk profile. The Bank's capital and retail deposits are considered as stable funding sources whereas the Bank's assets including, but not limited to, performing and non-performing loans and receivables, HQLA and non-HQLA securities as well as off-balance sheet items form part of the required stable funding. The Bank's NSFR is well-above the regulatory minimum of 100%.

The Bank maintains a well-diversified funding base and has a substantial amount of core deposits, thereby avoiding undue concentrations by counterparty, maturity, and currency. The Bank manages its liquidity position through asset-liability management activities supported by a well-developed funds management practice as well as a sound risk management system. As part of risk oversight, the Bank monitors its liquidity risk on a daily basis, in terms of single currency and significant currencies, to ensure it is operating within the risk appetite set by the BOD and to assess ongoing compliance with the minimum requirement of the liquidity ratios. Furthermore, the Bank has a set of policies and escalation procedures in place that govern its day-to-day risk monitoring and reporting processes.

The table below shows the actual liquidity metrics of the Bank as of December 31:

	2023	2022
Liquidity coverage ratio	133.97%	231.13%
Net stable funding ratio	135.91%	137%
Leverage ratio	10.83%	16.30%
Total exposure measure	43,493,133,715	22,381,413,480

The decrease in the LCR was driven by the faster growth of the loan portfolio where a portion of the HQLA is deployed.

Cash, reserves, and due from BSP make up 100% (2022 - 100%) of the total stock of HQLA for the year ended December 31, 2023. The NSFR is stable to a slight decrease as available funds are sourced majority from retail deposits relative to required stable funding.

Operational and Information Technology Risks

The Bank's Operational Risk Management Units together with BPI Operational Risk Management (ORM) Division monitors risks arising from inadequate or failed internal processes, people, and systems or from external threats and events such as cybercrime that led to financial losses, pandemic, natural disasters that damage physical assets and electronic or telecommunication failures that disrupt our operations. Operational risk is inherent in all banking products and services and may include risks that give rise to adverse legal, tax, regulatory, or reputational consequences. Information Technology (IT) is a significant risk factor subsumed under operational risk, given the highly automated nature of the Bank's processes and services. We define IT risk as the risk of any potential adverse outcome arising from the use of or reliance on IT (i.e., computer hardware, software, devices, systems, applications, and networks). IT risk includes, but is not limited to, information security, service availability, reliability and availability of IT operations, completion on specification of IT development projects, and regulatory compliance pursuant to the BSP's guidelines on Information Technology Risk Management. Our BPI-ORM provides oversight over the Bank's ORM unit in accordance with regulatory requirements.

The Business Risk Officer (BRO) serves as the focal point in the deployment of the Bank's risk management program. We have BROs coordinating with and overseeing key functional areas and business units across the organization. Our BROs are responsible for promoting a sound risk management culture, implementing ERM best practices, and ensuring timely submission of operational and other risk reports in the first line of defense.

We have an established operational risk management framework that clearly defines responsibilities related to the performance of the risk management function, as well as the accountabilities, processes, and tools employed to identify and mitigate operational and IT risks in our operating units.

Subject to regular monitoring and reporting, tools include Key Risk Indicators (KRIs), loss events, incident management, Risk & Control Self-Assessment (RCSA), Risk Assessment for Business Activity (RABAct), and Outsourcing and Materiality Risk Assessment (OMRA). KRIs are used to monitor risk profiles, trigger early-warning alerts, and instigate mitigating actions. Operational loss events data collection and analysis provide meaningful information to assess the Bank's exposure to risks and the effectiveness of its controls. Operating units are required to conduct regular self-assessments to identify, assess, and mitigate risks, which include the assessment of inherent and residual risks, identification of controls, and the assessment of the design and performance effectiveness of these controls. RABAct and OMRA are conducted to provide information on the anticipated risks prior to implementation of new or changes to existing business activities (e.g., product development and service offerings, process changes/ enhancements) and outsourcing engagements, respectively. These risk assessments and the design and testing activities are aimed at safeguarding both the Bank and our clients from the risks of economic loss, operational disruption, third-party failures and damages, or compromise of personal or financial data.

To help us in the aggregation and reporting process, we also have set up risk categories and instituted the use of our risk and control library that provides an aligned taxonomy of risks and controls. Training on the various ORM tools and processes are regularly conducted, and bulletins/ advisories are cascaded to the stakeholders to strengthen the Bank's risk awareness and appreciation programs.

With our drive for digitalization, alignment on the implementation of the ORM System (ORMS) that fully integrates tools and processes on Loss Events, Metrics/KRIs, Incident Management, Risk and Control Self-Assessment (RCSA) and Risk Aggregation is on-going. Through digitalization, manual processes will be minimized and correlation with all tools will be made possible, thereby providing better visibility to Management and enabling them to make data-driven decisions.

To support the Bank's Environmental, Social, and Governance (ESG) initiatives, we have integrated E&S risks in our tools. Our risk library was expanded to tag Operational Risk titles with potential E&S-related risks. Operational loss events monitoring captures actual occurrence of E&S risks that has resulted to, or has the potential to result to, a financial or regulatory impact. In coordination with our ESRM unit, efforts to establish key metrics to provide the RMCom and ORMC visibility over E&S risks are ongoing. Localized sustainability initiatives in the workplace (e.g. lights off on lunch break) were implemented. Continuous support in the Group-wide sustainability programs (e.g. recyclables drive) is also observed.

Our exposure to operational risks are identified, assessed, and monitored as an integral part of the risk assessment processes. The Bank currently uses the Basel II regulatory Basic Indicator Approach to quantify operational risk-weighted assets, using the historical total annual gross income as the main measure of risk.

We regularly perform operational risk stress tests, through scenario analysis, to support the internal capital assessment for operational and IT risks, as part of the Bank's initiatives to advance risk management methodologies. Through a series of stress scenarios, the Bank is able to identify, analyze, and assess the impact of unexpected and severe extreme operational risk events. This exercise ensures that the impact of high impact events is captured during risk assessment, especially those not yet reflected in the Bank's existing historical loss data.

The Board-level RMC is regularly apprised of the operational and IT risks through comprehensive reporting and discussions during quarterly meetings. The RMC is likewise regularly briefed on current cybercrime landscapes, emerging risks, and industry trends, as well as mitigating measures implemented by the Bank.

Business Continuity Risk

The Bank maintains its business continuity capability and organizational resilience by means of an effective and global best practice Business Continuity Management (BCM) program. This program was self- assessed by the Bank, aligned with ISO 22301 and BSP Circular 951 (Business Continuity Management) and Good Practice Guidelines of Business Continuity Institute (BCI) UK. Within this program are Business Impact Analysis (BIA) methodology, prioritization of products and services, recovery plans, and a response structure to provide adequate level of services until normal operations resume. The BIA methodology identifies products, services, processes, and resources that should be prioritized during a disruption. Risk Assessment for Business Continuity (RABCon) identifies the most probable threats to the Bank and assesses the likelihood of their occurrences and their impact to key areas. Business Recovery Plan (BRP) provides a suitable solution that focuses on the impact of events and the timely restoration of building, equipment and supplies, technology and vital documents, human resources, and third-party vendors.

Resiliency structure is in place and functional areas have been identified to meet business continuity objectives and to support the agreed recovery solution. Each functional area has a designated Functional Business Continuity Coordinator who handles localized risk events impacting business units in the functional areas, with the support and guidance of tactical teams such as the Incident Management Teams and the Corporate BCM Unit. For incidents that rise to the level of a true crisis, the Crisis Resiliency Committee (CRC) central in BPI parent, composed of senior management officers which includes senior officers of BanKo, is convened to establish command and control.

To further improve the Bank's resilience, BPI BCM team have set up alternate command centers in Metro Manila and in provincial areas, which also provides additional seats that can be used for business recovery. The team have also designated various evacuation sites, equipped with food, blankets, and other supplies, to assist employees during natural calamities.

Since the pandemic, we have transitioned our employees to hybrid remote working, equipped with necessary access and tools that allow a flexible work arrangement. With the Bank's digital transformation journey, we were also able to digitize BCM processes, business recovery plans, and other BCM documentations through the Bank's workflow management tool. It also provides us an online collaboration platform that allows our BCM/BCP Coordinators to work together and have BCM huddles/meetings. These reduce manual handling and physical presence, further ensuring business continuity when the availability of the human workforce is put at risk. Along with our foundational capabilities, which includes experiences, relationships, robust frameworks, and data, these allowed us to be resilient in the face of the disruptions not only during natural disasters, but also during the pandemic.

Information and Physical Security Risks

Digitalization has significant information security implications. As Bank aligned with BPI parent continues to transform customer experience, address demand for digital financial services and provide opportunities for financial inclusion, it is crucial to protect the data of our customers and stakeholders to foster and maintain their trust and confidence in our services through digitalization of customer interfaces, adoption of data analytics and upgrading of back-office processes, we make sure that customer information and other information assets in our possession or control remain secure. We maintain an information security management system of people, processes and technology that seeks to ensure the confidentiality, integrity, and availability of information assets through continuous identification, assessment, treatment and monitoring of information security risks.

We continuously identify, assess, treat, and monitor information security risks guided by information security and data privacy programs that are benchmarked against industry standards and best practices, and adhere to applicable laws and regulations such as the Data Privacy Act and relevant BSP Circulars on customer protection, information security, and risk management. Consistent with the Bank's sustainability objectives, these programs aim to utilize resources in a way that mitigates risk, minimizes cost, and maximizes effectiveness.

In view of the increasing cyber risks, the Bank piggy-back on BPI parent as the parent continue to invest in the enhancement of our security infrastructure and technical controls to secure both our physical and computing environments. This includes a broad range of prevention, detection, and recovery mechanisms to mitigate and immediately respond to threats and incidents. Annual review and simulation testing of the computer security incident response plan to ensure its workability and effectiveness are also conducted.

The Bank has an established third-party and vendor risk management program to address supply chain risk as we further expand our outsourced services to support business goals and operations. We apply a stringent vetting process to our service providers and IT suppliers, and regularly monitor their performance to determine compliance with data privacy and information security requirements. We continue to improve third-party risk management through automation and streamlining of processes. We have intensified the Bank's information security awareness campaigns for customers to help them protect their personal information and combat online banking fraud which is likely to rise in frequency and sophistication due to the increased adoption of online services. These campaigns are conducted extensively via traditional and social media, the BPI websites, press releases, and email bulletins. Our internal awareness program and campaigns are persistent and substantive, seeking to change the behavior of employees toward cyber-risk by educating them on current and emerging cybercrimes, giving them the skills to identify potential threats, and most importantly, impressing upon them the important role they play in mitigating it.

We subject all our controls to periodic assessments through in-house programs and independent third-party engagements to determine their continued relevance and effectiveness and to identify areas for improvement.

BPI's Facilities Services and Management (FSM) Group takes a leading role in ensuring a secure, safe, and inspiring environment for both BanKo clients and personnel. Tasked with building, maintaining, and ensuring the physical security and safety of all BanKo branches and campuses, FSM employs a proactive and integrated approach encompassing people, infrastructure, and security. This strategy addresses the increasingly sophisticated needs of BanKo sites. In harmony with our sustainability agenda, FSM is proactive in implementing initiatives to counter the impact of climate change. These measures include embracing initiatives focused on renewable energy such as electric vehicles and other projects. FSM also reduces its footprint where it can, as seen with its pursuit of Excellence in Design for Greater Efficiencies (EDGE) certifications. Finally, FSM is also supported by a well-established Physical Security Response Plan. With properly trained personnel and proper equipment, FSM is equipped to handle various emergencies and calamities such as typhoons, earthquakes, and other natural disasters.

Legal and Tax Risk

The Bank outsourced the legal services to BPI. BPI has two specialized legal services divisions composed of highly trained legal professionals with experience in banking and corporate law and litigation that serve as BPI Group's main legal resource. These two legal divisions play critical roles that enable us to carry out our operations while minimizing legal issues and risks.

The BPI Corporate Legal Affairs Unit composed of the Documentation, Legal Risk and Advisory, Tax Compliance, Tax Advisory and Tax Risk Management units provide proactive guidance and support to effectively manage the Bank's legal and tax risks. The Documentation and Legal Advisory units ensure that the Bank's rights and obligations are protected in its contractual relations, and that the Bank is abreast of legal developments and requirements, respectively. It also conducts a legal risk assessment of potential claims against the Bank and recommends legal risk mitigation measures. It further empowers the Bank units by issuing legal and tax advisory bulletins, providing supporting training seminars that highlight legal and tax issues, new laws, and regulatory fiats that impact the Bank's products and services, and promote awareness initiatives of various regulatory agencies.

The BPI Corporate Legal Affairs continued to provide legal direction and support, working closely with Management, Risk and Compliance Offices, and the various business segments in monitoring, interpreting, and implementing laws, government regulations, and pandemic- related issuances.

The Dispute Resolution and Litigation unit plays a significant role in protecting our rights and interests and in avoiding losses when the Bank is involved in disputes or cases filed by the Bank against clients and third parties or filed by clients and third parties against the Bank before regulatory entities, quasi-judicial bodies, and judicial cases in all levels of the judicial proceedings as well as from trial courts to the Supreme Court. We handle cases that involve large enterprise loans, retail loans, and trade financing. The other units specialize in criminal cases, cybercrime cases, and administrative cases (including BSP and SEC cases) filed on behalf of or against the Bank. We likewise handle defensive cases filed by any party against the Bank for any reason and play a significant role in the Bank's AMLA Compliance and the Labor Relations Compliance.

Part of the Bank's robust legal management is the Dispute Resolution Division's advisories on what areas of improvements should be made in various operations of the Bank based on the learnings from the cases it handled.

The Corporate Legal Affairs and Dispute Resolution Divisions accomplished the following program highlights in 2023: lectured on several Teach-In Series on taxes such as LBT, GRT and EWT; held seminars on sexual harassment in the workplace (Anti-Bastos Law), Data Privacy, writs, warrants, subpoenas and court witnessing, garnishments for the Bank's business units; collaborated with the Department of Justice (DOJ) in lecturing in the National Prosecutors Training on Anti-Cybercrime and also conducted seminars on cybercrime-related laws and procedures to equip BPI branch personnel and other client-facing units the capability to respond to and assist on cybercrime complaints and incidents; pursued sustainability initiatives such as coordinating with HR and BPI Wealth in holding roundtable discussions on Personal Equity and Retirement Account (PERA) for the ensuing well-being of BPI employees; disseminated numerous videos-on-demand (VODs) and tax infographics to update and inform BPI employees of the latest banking and tax laws and trends; issued a digital brochure across all BPI branches on the rights of persons with disabilities (PWDs) and senior citizens related to branch servicing thereby boosting the Bank's Customer Obsession objectives.

Reputational Risk

The Bank defines reputational risk as the risk of potential negative public perception or uncontrollable events and developments to have an adverse impact on the Bank's brand and reputation that can affect the Bank's ability to maintain existing business relationships or establish new business relationships and continued access to sources of funding.

We regard the Bank's reputation as a very valuable asset, especially for a financial institution since a negative reputation harms client and investor trust, erodes customer base, and hinder sales. Poor reputation also correlates with increased costs for hiring and retention that can degrade operating
margins and prevent higher returns. Furthermore, reputational damage increases liquidity risk which impacts stock price and ultimately causes market capitalization to decline.

We have an established reputational risk management framework that provides consistent standards for the identification, assessment, and management of reputational risk issues. While all our employees have a responsibility to protect our reputation, which forms part of our Code of Business Conduct and Ethics, the primary responsibility for managing and reporting reputational risk matters lies with our business and operating units in the first line of defense. The Public Affairs and Communications unit, on the other hand, is the risk control owner of reputational risk, promoting awareness and application of our policies and standards regarding reputational risk and encouraging business units to take account of our reputation in all decision-making activities, as well as dealings with clients, suppliers, co- employees, and all other stakeholders.

Our policies ensure reputational risk matters are managed in a consistent manner and aligned with our strategic priorities. We have established risk indicators for reputational risks that are regularly monitored and reported. These include events and developments related to products and services, channels, financial performance, human resources, brand equity, customers' awareness and loyalty and corporate social responsibility that are further amplified through traditional and social media coverage.

Model Risk. The BPI parent maintains an active and robust model risk management system and well-articulated model review standards and methodologies. Our RMCom establishes and ensures a strong model risk management structure that fits into the broader risk management culture and processes of the BPI organization, while the CRO is delegated with the responsibility to review and endorse all model risk reports to the RMCom, and model owners are responsible in managing the model risk of their respective models from initiation to retirement.

BPI Risk Models Validation (RMV) Department is the Bank's model risk manager, owner of the model governance framework and model inventory, and is responsible for conducting the independent model validation activities.

Our framework encompasses governance and control mechanisms such as Board and Senior Management oversight, policies and procedures, controls and compliance, and organizational structure; with controls carried out at the different stages of the model lifecycle. A semi-annual inventory of the Bank's models is conducted to ensure relevance, comprehensiveness, and usability across functional risk areas. These models are subject to independent validation generally prior to implementation, and revalidation as appropriate.

Given the increased regulatory expectations on model risk management, independent validation, and the Bank's focus on data-driven analytics and decision-making, RMV continuously tests the quality and robustness of our risk models, benchmarks our risk models to global best practices on model risk management, develops and employs automation tools on recurring models subjected to annual validation, considers the impact of stress and macroeconomic scenarios to latest modeling methodologies employed, and ensures that proper emphasis is placed on models supporting financial inclusion and sustainability initiatives.

Environmental and Social Risks

Despite contributing less than 1% to global CO_2 emissions[81], the Philippines faces high vulnerability to the impacts of climate change and natural disasters, emerging as one of the most-at-risk country in the world in 2023[82]. Situated in the Pacific Risk of Fire, the proactive management of challenges arising from climate change and evolving social landscapes is crucial for the Philippines as it pursues advanced economic development. The Bank is cognizant of these challenges and has been a sustainability advocate with our commitment to corporate social responsibility motivating us to integrate sustainability into our business and operational activities.

We recognize the presence of environmental and social (E&S) risks inherent in our core operations and daily activities. To safeguard the best interests of our stakeholders, we commit to a risk management strategy centered on creating long-term stakeholder value and promoting shared value for a sustainable future.

Under the Enterprise Risk Management framework and guided by BSP Circulars 1085 and 1128, we established the Bank's general policy on ESRMS, which integrates E&S risk management in our risk governance structure and promotes the updating and establishment of policies, processes, methods, and tools that integrate E&S risk management in our main business activities and decision-making processes. It is designed to support the two sustainability pillars of Responsible Banking and Responsible Operations and is critical in achieving our strategic sustainability objectives and targets. We define E&S risks as potential adverse financial, legal, and reputational effects from E&S issues affecting our key business activities.

- Environmental risks can be categorized as physical or transition. Physical risk is the potential loss or damage to tangible assets arising from climate change, weather-related disturbances, and other environmental hazards. These can either be acute events, which are event-driven risks that have an immediate adverse impact, or chronic events which are shifts in climate patterns that are long-term in nature. Transition risk is the potential economic adjustment cost resulting from policy, legal, technology, and market changes to meet climate change mitigation and adaptation requirements.

- Social risks are potential negative social impacts including, amongst others, hazards to human health, safety and security, and threats to communities, biodiversity, and cultural heritage.

We recognize that E&S risks can influence and/or aggravate the Bank's existing traditional financial and non-financial risks such as credit, operational, and reputational risks. Enhancements to our internal policies, standards, and processes are ongoing to integrate the identification, assessment and management of E&S risks with our other existing functional key risk areas.

RISK CATEGORY	EXAMPLES OF ENVIRONMENTAL RISK DRIVERS	
	Physical Risk	Transition Risk
Credit	Reduced repayment capacity of borrowers due to reduced profitability or value of collateral, and returns on transactions caused by climatic shifts or extreme weather events	Failure to consider the shifting regulatory and policy landscape in credit quality assessment (e.g., carbon taxes on emissions, total outright ban in activities driving E&S risk events, shift in consumer preferences, etc.) resulting to a deterioration in portfolio and asset quality
Market	Reduced value and marketability of our assets due to physical impacts	Shift in demand and preferences of clients and other stakeholders for the Bank's products and services
Operational	Business interruptions due to extreme weather events and its resulting damage to physical assets	Increased operating costs and higher capital expenditures to ensure resilience and carbon reduction measures
Reputational	Negative public reaction due to perceived inadequate support for clients and communities affected by extreme weather (and other environmental) events Negative public reaction due to perceived increase in exposure to environmental hazards	Damage to our brand, reputation, and social capital due to potential perceptions of our institution's detraction from the transition to a low-carbon economy

E&S considerations are embedded in our lending activities and day-to-day operations to maintain our longstanding commitment to integrating our sustainability strategy and principles in the delivery of products and services, as well as in the resilience of our operations.

BanKo is the "microfinance" arm of the Bank of the Philippine Islands (BPI) contributes to the Sustainability Development provision of decent work and economic growth among Filipinos for the BPI Group. BanKo provides an affordable source of additional capital for the micro-businesses of borrowers, spurring growth and increasing their number of employees. The Business Strategies and Targets are focused to serve the C2D segments and self-employed microentrepreneurs (SEMEs) and has no credit exposures/transactions to corporations under industries or sectors with material E&S risks. The large majority of the SEMEs is under Wholesale and Retail Trade industry (i.e. market vendor, sari-sari store owner, retailers). In general, the sector and its activities pose a low risk to E&S. Please see the breakdown as of December 31, 2023 below:

75%	Wholesale and Retails Trade (i.e. market vendor, sari-sari store owner, retailers)
8.96%	Accommodation and Food Service (i.e. carinderia)
7.04%	Manufacturing (i.e. souvenir items)
4.69%	Agricultural, Forestry and Fishing and Human Health and Soc Work Act. i.e. (loans to farmers)
3.44%	Others
100%	

In addition, to address risk and foster E&S responsible business decisions, the following are initiatives of the Bank.

1. The Bank's risk appetite for Environmental and Social Risk which was subsequently approved in January 2024 specifically states: "The Bank has a high credit risk appetite for sustainable loans and bonds that highlight the importance of sustainability, high ethical and social standards, and protection of the environment. The Bank has a low credit risk appetite for industries or sectors with material E&S risks which the Bank has sustainability goals."

2. The Bank requires all employees to attend the training on sustainability to ensure an adequate understanding of the E&S risks.

3. BanKo offers simple products and services focusing on the C2D market segment.

4. The Bank holds caravans and financial literacy programs.

Environmental and Social Risk Assessment

Environmental Risk Assessment (ERA) is a pioneer mitigation tool to assess physical risk exposures, introduced by BPI to the Philippine banking industry, amidst the Philippines' location in the Typhoon Belt and the Pacific Ring of Fire. For BanKo through DOST-PHIVOLCS' Hazard Hunter PH system, we're able to assess risk exposures of Bank branches, client addresses, and employee residences, vis-a-vis the following environmental risks.

- Climate Hazards
  - Flooding
  - Typhoons/severe wind
  - Storm surge
  - Rain-induced landslides
- Non-Climate Hazards
  - Earthquakes
  - Soil Liquefaction
  - Volcanic Eruptions

ERA serves to mitigate traditional risks involved in branch operations concerning environmental and social risk, as such, it has already been integrated into the Bank's processes, preventing potential losses not just in terms of income, but also more importantly in terms of human lives of the Branch employees and clients.

Mitigated Risk	Solutions
Credit Risk	• Integration of risk data from the mapping of bank branch location, client addresses vis-à-vis climate and non-climate hazards to the clients' business such as flooding, and earthquakes.

Operational Risk	• Integration of risk data from the mapping of bank branch location, and employee addresses vis-à-vis climate and non-climate hazards to the clients' business.
	• Application of risk-mitigating measures on bank branch locations are required prior to the branch construction with high-risk locations
	  • Branch relocation
	  • Engineering interventions aimed at damage prevention, resilience, and compliance
	  • Insurance coverage
	• Enhancement of Business Continuity Plans to ensure uninterrupted, resilient, and reliable operations amidst natural disasters
	  · Focus areas on
	    o Employee health and safety
	    o Asset protection
	    o Timely restoration of building, equipment, and technology
	  · Additional preventive measures
	    o Regular evacuation drills
	    o Hazard protection guidelines
	    o Hazard awareness seminars

As part of the Bank's strengthened commitment to sustainability, the Bank ensures to exclude/reject clients engaged in industries prohibited by the Bank's Money Laundering / Terrorism and Proliferation Financing Prevention Program (MTPP) such as entities/clients engaged in terrorism activities, Gambling and online gaming businesses (OGB), Arms and Ammunition.

Capital Adequacy

The Bank's Financial Management Department together with Risk Management Office and in coordination with BPI parent Corporate Strategy and Planning Division oversees the management of the Bank's capital adequacy. Capital adequacy ratio, or CAR, is a measure of the Bank's total qualifying capital relative to its risk-weighted assets, and indicates the ability of its capital funds to cover various business risks.

These division also ensures compliance with regulatory capital adequacy requirements, as well as internal capital thresholds, referred to as the Bank's internal minimum Common Equity Tier 1 (CET1) ratio, or IMCET1, and the CET1 management action trigger, or CET1MAT, which incorporate the Bank's internal capital buffers and limit triggers, and capture risks beyond Pillar 1 (credit, market, and operational).
Furthermore, these divisions are responsible for assessing and raising the strategic capital needs of the Bank, as well as initiating approvals for dividend payments to shareholders.

Dividend Policy

BanKo may declare dividends subject to the discretion of the Board. However, the SEC may direct BanKo to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except:

- When justified by definite corporate expansion projects or programs approved by the Board;
- When BanKo is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured;
- When it can be clearly shown that such retention is necessary under special circumstances obtaining, such as when there is a need for a special reserve for probable contingencies.

For 2023, BanKo did not declare dividends.

Sound Capital Management. Effective capital management supports the Bank's assets and absorbs losses that may arise from credit, market and liquidity, operational and IT, and other risk exposures. The Bank's capital management framework ensures that on stand-alone and group bases, there are sufficient capital buffers at all times to support the respective risk profiles of the various businesses of the Bank, as well as changes in the regulatory and accounting standards and other future events.

BanKo submits to BPI parent and BPI parent submits a consolidated comprehensive internal capital adequacy assessment process, or ICAAP, document annually to the Bangko Sentral ng Pilipinas, in accordance with the Pillar 2 guidelines of the Basel framework.

As of Dec 31, 2023, the Bank's CAR stood at 14.76%, higher than the minimum regulatory requirement of 10.0%. The Bank's CET1 capital ratio at 13.98% respectively, likewise compares favorably with regulatory and internal limits and buffers.

The table below shows the Bank's CAR components for 2023 and 2022:

Risk (Php million)	Regulatory Capital	
	2023	2022
Credit Risk	25,944	13,773
Market Risk	56	55
Operational Risk	7,687	6,743
Total	**33,687**	**20,571**

Capital Adequacy (Php Mn)	2023	2022
CET1/Net Tier1 1/	4,709	3,648
T2/Net Tier2 2/	**264**	141
Total QC 3/	**4,973**	**3,789**
Total CRWA 4/	25,944	13,773
Total MRWA 5/	56	55
Total ORWA 6/	7,687	6,743
TRWA 7/	**33,687**	**20,571**

Ratios (%)	2023	2022
CET1	**13.98 %**	**17.73 %**
CAR	**14.76 %**	**18.42 %**

1/ Common Equity Tier 1 Capital/Net Tier 1
2/ Tier 2 Capital/Net Tier 2
3/ Qualifying Capital
4/ Credit risk-weighted assets
5/ Market risk-weighted assets
6/ Operational risk-weighted assets
7/ Total risk-weighted assets

The bank's types and level of risk it is willing to assume to achieve business objectives are conveyed through the risk appetite statements approved by the Risk Management Committee. This covers each important risk identified.

Risk Area	BanKo Risk Appetite Statements
1. Enterprise Risk	The Bank adopts an overall low risk appetite for the Bank's aggregated and total financial and non-financial risk exposures.
2. Credit Risk (portfolio quality)	The Bank shall ensure to maintain a moderate level of non-performing loans (NPLs), and make certain that the amounts of loss reserves are sufficient to cover the NPL and ROPA levels
3. Credit Risk (Regulatory Limits, Credit Counterparty Risk & Credit Concentration)	The Bank has low appetite for non-compliance to regulatory limits and ceilings on credit risk, particularly on credit portfolio concentration and credit test results
4. Credit Risk (Portfolio Acquisition - Personal Loan)	The Bank shall ensure to maintain a moderate level of nonperforming loans (NPLs), and make certain that the amounts of loss reserves are sufficient to cover the NPL on the acquired Personal Loan Portfolio The Bank manages the risks on non-performing loans by closely monitoring the exposure and trends on personal loan portfolio. Strictly implements outsourcing agreement related to the processes and portfolio management.
5. Credit Risk (Test Program for SEME)	The Bank shall ensure to observe a moderate level of test programs running at any single time.
6. Market Risk	The Bank has low appetite for losses from the day-to-day trading activities, which are monitored against the Bank's profit-and-loss (P&L and comprehensive income levels.
7. Liquidity Risk	The Bank has low appetite for losses from the day-to-day trading activities, which are monitored against the Bank's profit-and-loss (P&L and comprehensive income levels.
8. Interest Rate Risk	The bank has low appetite for losses due to adverse movements in the interest rates as measured by the impact on the Bank's net interest income and underlying value of assets, liabilities and off-balance sheet instruments
9. Model Risk	The Bank has a moderate appetite for the financial losses due to the use of risk models that are work in progress in absence of a stable model in the industry.
10. Business Strategic Risk	The Bank has low appetite for losses to earnings or capital, whether current or prospective, due to adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes in business conditions.
11. Reputational Risk	The Bank has a very low appetite for reputational risk and takes immediate action to resolve clients' complaints, local and overseas regulatory concerns and high risk issues.
12. Conduct Risk	The Bank has zero tolerance for incidents involving improper business practices. The Bank nurtures a culture of high ethical and moral standards among employees where the tone is set at the top for conducting business with honesty, decency, fairness and integrity
13. Operational Risk	The Bank strive to mitigate risks with annual aggregated operational risk losses not to exceed 1% of gross income per year. The Bank have zero tolerance for any loss incident of catastrophic proportions. The bank has very low appetite for reputational risk and takes immediate action to resolve client's complaints, local and overseas regulatory concerns, and high-risk issues.

A. Operational Risk (Run the Bank)	The Bank aims to achieve 99.5% availability of critical customer-facing services. The Bank employs a pragmatic and flexible approach to enhance its ability to withstand, adapt to and recover from events, which could cause significant operational failures or wide-scale disruptions.
1. Business Process Execution Failure	The Bank has a low operational risk appetite for process failure and low tolerance for high risk internal audit issues.
2. Improper Business Practices	The Bank has zero tolerance for incidents involving improper business practices. The Bank nurtures a culture of high ethical and moral standards among its employees where the tone is set at the top of conducting business with integrity and transparency.
3. Regulatory and Compliance	The Bank has a low appetite for legal action against it with assessed unfavorable outcome. The Bank aims to maintain compliance with regulatory requirements and to address any breach within the time provisions of regulators
4. Damage to Physical and Intangible Assets, Technology Failures and Damages	The Bank employs adequate tools and processes, to ensure its preparedness in handling and lessening the impact of disruptive event. The Bank pursues to have effective and tested business continuity plans, responding to cover mission-critical products / services and making these available within two (2) to four (4) hours.
5. Vendor Failures and Damages	The Bank does not tolerate failure from providers of critical outsourced services and requires adequate measures to ensure continues delivery of services.
6. Trade Counterparty Failures	The Bank has a low appetite for counterparty failures. The Bank exercises due diligence when dealing with counterparties and correspondent banks.
B. Operational Risk (Secure the Bank)	The Bank applies industry standards in securing our assets, including physical and financial assets, customer data and other highly sensitive data and human resources. The Bank strives to mitigate emerging risks with zero tolerance for data confidentiality and integrity breaches leading to financial loss, reports to regulators and/or media reports.
1. Employment Practices and Workplace Safety	The Bank has zero appetite for events and work activities that compromise the health and safety and well-being of employees, causing serious illness or injuries or loss of life. The Bank gives utmost priority to providing adequate safety equipment to prevent any accident in the workplace
2. Internal Theft and Fraud	The Bank aims to employ sufficient, suitably skilled and experienced staff with clearly defined roles and responsibilities. The Bank has zero appetite for any fraudulent activity, and all potential conflicts of interest shall be avoided and disclosed.
3. External Theft and Fraud	The Bank invests in learning the latest fraud trends and work towards deploying security measures in minimizing theft and fraud incidence in the Bank. The Bank strives to have zero occurrence of robberies and burglaries in any of the bank and branch premises
4. Financial Crime	The Bank has zero appetite for any misconduct or employees, clients, and third parties such as bribery and corruption or activities related to money laundering or terrorist financing. The Bank is committed to combating financial crime and ensuring that offered products and services are not misused for the purpose of money laundering, terrorism financing and fraud events. The Bank cultivates a culture of high ethical standards among its employees where the tone is set at the top for conducting business with honesty, decency, fairness and integrity.

C. Operational Risk (Build the Bank)	The Bank will innovate by adopting and customizing new, market-tested technologies with the key objective of providing our customers with the best banking experience and with minimum security risks.
IT Project Failures	The Bank has a moderate appetite for IT project failures. The Bank uses established industry practices to deliver projects with minimal time, budget and quality variances.

RELATED PARTY TRANSACTIONS

In the normal course of business and under the overall purview of the BPI Related Party Transactions Committee (RPTCom) of the Board, the Bank transacts with related parties, which include its directors, officers, stockholders, and related interest, subsidiaries, and affiliates (including those under the Ayala Group of Companies), as well as other related parties defined in our internal policy.

Controls are in place to ensure compliance with the groupwide Related Party Transactions (RPT) processes; the Bank adheres to the RPT guidelines published in the Bank's policy databases, as further communicated through briefing sessions and regular advisories. The Bank has its respective BanKo RPTC Secretariat to verify if there is prior vetting of RPT proposals submitted for Board-level approval and/or prior to implementation of the transaction. Moreover, the Internal Audit and Compliance Office conducts post-verification of the vetted RPTs, results of which are reported to the RPTCom. The review of RPTs is part of the external audit assurance process.

RPTs are monitored through various reports, such as the regulatory and internal limits monitoring for related party (RP) exposures, reports on RPTs reviewed by the vetting committees, and regulatory reporting for material RPTs.

The Bank maintains a registry of related parties (RPs), which is regularly updated based on the results of RP analyses conducted by the business units as part of the Know-Your-Customer process. Likewise, regular updating is done following the (a) annual preparation of the BPI and Ayala Group's conglomerate map and (b) any Board composition changes effected during the Annual Stockholders' Meeting and/or intra-year Board changes. Updates are also sourced from other information gathered from internal bank units and reputable external sources. Updating of the RP database for the Bank's officers' data is regularly conducted in coordination with the Bank's Human Resource Management Group for proper identification and tagging in the system. The Bank's RP database is accessible to business units and serves as a tool in the RP identification process across the Group.

RPT vetting is done prior to implementation either by the BPI Related Party Transaction Committee (RPTC), BanKo Corporate Governance Committee (CGCom), or the BanKo Management Vetting Committee (MVCom), depending on set materiality thresholds, to ensure that transactions with RPs are regular banking activities and are done at arm's length basis, particularly on terms and conditions comparable to those offered to non-RPs or to similar transactions in the market. In line with this, the Bank continues to review and enhance its vetting process by defining standardized terms and/or parameters for select transactions applicable to both RPs and non-RPs alike, as approved by management and subjected to vetting by the RPTCom, thereby strengthening non-preferential treatment to its RPs.

The BPI RPTC, a Board-level committee of the BPI Parent, is the highest vetting committee for BanKo's related party transactions involving BPI Parent, Affiliates, Subsidiaries and other Related Parties.

The BanKo CGCom is composed of three Non-Executive Directors, the majority of whom are independent directors including the Chairperson. The RPTCom Secretariat, which is part of the Risk Management Office, assists the Committee in carrying out its role and responsibilities as defined in the CGCom Charter, particularly on strengthening corporate governance and RPT practices. The MVCom, on the other hand, is composed of the President and Senior Management of the Bank.

The Bank is committed to ensuring strict compliance with laws, regulations, and reporting requirements relating to DOSRI and RPTs by instituting rigorous vetting processes and establishing adequate controls and oversight mechanisms. Improvements in the RPT framework are continuously pursued to enhance corporate governance measures including greater information awareness initiatives.

SUPPLEMENTARY SCHEDULES ON CAPITAL AND RISK MANAGEMENT DISCLOSURES PURSUANT TO THE BANKO SENTRAL'S MEMORAMDUM M-2017-011

Capital Structure

The Bank's qualifying capital for the years ended 2023 and 2022 were Php4.97 billion and Php3.79 billion, respectively. The Bank's total qualifying capital for 2023 and 2022 was largely composed of CET1 capital and Tier1 at 95.0% and 96.0%, respectively.

The table below shows the composition of the Bank's capital structure and total qualifying capital.

	31-Dec-23			31-Dec-22		
Capital Structure (Php Mn)	**CET1/Tier1**	**Tier2**	**TOTAL**	**CET1/Tier1**	**Tier2**	**TOTAL**
Core Capital	**5,427**	**264**	**5,691**	**4,166**	**141**	**4,307**
Paid-up common stock	1,406	-	1,406	1,406	-	1,406
Additional paid-in capital						
Retained earnings	2,778	-	2,778	1,795	-	1,795
Undivided profits	1,293	-	1,293	995	-	995
Net unrealized gains or losses on AFS securities						
Cumulative foreign currency translation						
Remeasurements of Net Defined Benefit Liability (Asset)	-50	-	-50	-30	-	-30
Minority interest 1⁄						
General loan loss provision 2⁄ -		264	264	-	141	141
Deductions	**718**	-	**718**	**517**	-	**517**
Total O/S unsecured credit accommodations 3⁄						
Deferred tax assets	688	-	688	487	-	487
Other intangible assets	3		3	3		3
Defined benefit pension fund assets	27	-	27	27	-	27
Investments in equity 5⁄						
Significant minority investments 6⁄						
Other equity investments 7⁄						
TOTAL QUALIFYING CAPITAL	**4,709**	**264**	**4,973**	**3,649**	**141**	**3,790**
	95%	**5%**	**100%**	**96%**	**4%**	**100%**

1⁄ Minority interest in subsidiary banks, which are less than wholly-owned
2⁄ General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets, and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio
3⁄ Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)
4⁄ Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries and affiliates
5⁄ Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable) and Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)
6⁄ Significant minority investments (10%-50% of voting stock) in securities dealers/brokers and insurance companies, after deducting related goodwill, if any (for both solo and consolidated bases)
7⁄ Other equity investments in non-financial allied undertakings and non-allied undertakings

Credit risk-weighted assets. Using the Basel regulatory standardized approach, our total credit risk-weighted assets as of December 31, 2023, amounted to Php26.37 billion, and composed of on-book credit exposures after risk mitigation of Php25.94 billion.

The table below provides a summary of the Bank's credit risk-weighted assets for 2023 and 2022:

Credit RWAs (Php Mn)	2023	2022
Total RWA (On-balance sheet) 0/	26,366	14,112
Total RWA (Off-balance sheet) 0/	-	-
Total counterparty RWA (banking book) 1/	-	-
Total counterparty RWA (trading book)	-	-
Total RWA credit-linked notes (banking book)	-	-
Total Risk-Weighted Securitization Exposures	-	-
Total Gross RWA	**26,366**	**14,112**
Deductions: General loan loss provision 2/	422	339
Total Credit RWAs	**25,944**	**13,773**

0/ Risk-weighted assets
1/ For derivatives and repo-style transactions
2/ In excess of the amount permitted to be included in upper Tier 2

Schedule A

December 31, 2023 P -mn	Exposure after risk mitigants	RISK WEIGHTS 0%	20%	50%	75%	100%	150%	Total CRWA 1/
Cash on hand	385	385	-	-	-	-	-	385
Checks and other cash items	1	-	1	-	-	-	-	1
Due from BSP	7,378	7,378	-	-	-	-	-	7,378
Due from other banks	3,218		-	3,218		0	-	3,218
Available-for-sale (AFS)	0	-	-	-	-	0	-	0
Held-to-maturity (HTM)	-	-	-	-	-	-	-	0
UDSCL 2/	-	-	-	-	-	-	-	0
Loans and receivables	28,310	-	-	9,369	-	18,586	355	28,310
Loans and receivables - Others 3/	3,197	3,197	-	-	-	-	-	3,197
Sales contract receivables	-	-	-	-	-	-	-	0
ROPA 4/	46	-	-	-	-		46	46
Sub-total	**42,536**	**10,960**	**1**	**12,587**	**0**	**18,586**	**401**	**42,536**
Other assets	884	-	-	-	-	884	-	0
Total exposure, plus other assets	**43,421**	**10,960**	**1**	**12,587**	**0**	**19,471**	**401**	**42,536**
Total risk-weighted OBSA (no CRM) 0/5 /			0	6,294	0	19,471	602	26,366
Total risk-weighted OBSA (with CRM)5 /			-	-	-	-	**0**	-
Total RWA (On-Balance Sheet)			**0**	**6,294**	**0**	**19,471**	**602**	**26,366**

December 31, 2022 P -mn	Exposure after risk mitigants	RISK WEIGHTS 0%	20%	50%	75%	100%	150%	TOTAL CRWA 1/
Cash on hand	249	249	-	-	-	-	-	249
Checks and other cash items	1	-	1	-	-	-	-	1
Due from BSP	4,336	4,336	-	-	-	-	-	4,336
Due from other banks	767		-	767		0	-	767
Available-for-sale (AFS)	0	-	-	-	-	0	-	0
Held-to-maturity (HTM)	-	-	-	-	-	-	-	0
UDSCL 2/	-	-	-	-	-	-	-	0
Loans and receivables	16,149	-	-	6,648	-	9,214	287	16,149
Loans and receivables - Others 3/	136	136	-	-	-	-	-	136
Sales contract receivables	-	-	-	-	-	-	-	0
ROPA 4/	52	-	-	-	-		52	52
Sub-total	**21,690**	**4,721**	**1**	**7,415**	**0**	**9,214**	**339**	**21,690**
Other assets	682	-	-	-	-	682	-	0
Total exposure, plus other assets	**22,372**	**4,721**	**1**	**7,415**	**0**	**9,895**	**339**	**21,690**
Total risk-weighted OBSA (no CRM) 0/5 /			0	3,708	0	9,895	509	14,112
Total risk-weighted OBSA (with CRM)5 /			-	-	-	-	**0**	-
Total RWA (On-Balance Sheet)			**0**	**3,708**	**0**	**9,895**	**509**	**14,112**

1/ Credit risk-weighted assets
2/ Unquoted debt securities classified as loans
3/ Loans and receivables arising from repurchase agreements, certificates of assignment/participation with recourse, and securities lending and borrowing transactions
4/ Real and other properties acquired
5/ Not covered by, and covered by credit risk mitigants, respectively

Market risk-weighted assets. In terms of capital usage using the Basel standardized approach, total market risk-weighted assets stood at Php56 million as of end-2023, of which foreign exposures accounted for more than half, followed by interest rate exposures and equity exposures, respectively.

The table below presents the breakdown of the Bank's market risk-weighted assets for 2023 and 2022:

MARKET RWA (Php Mn)	2023	2022
Using standardized approach		
Interest rate exposures	-	-
Foreign exposures	56	55
Equity exposures	-	-
TOTAL MARKET RWA 0/	**56**	**55**

0/ Risk-weighted assets

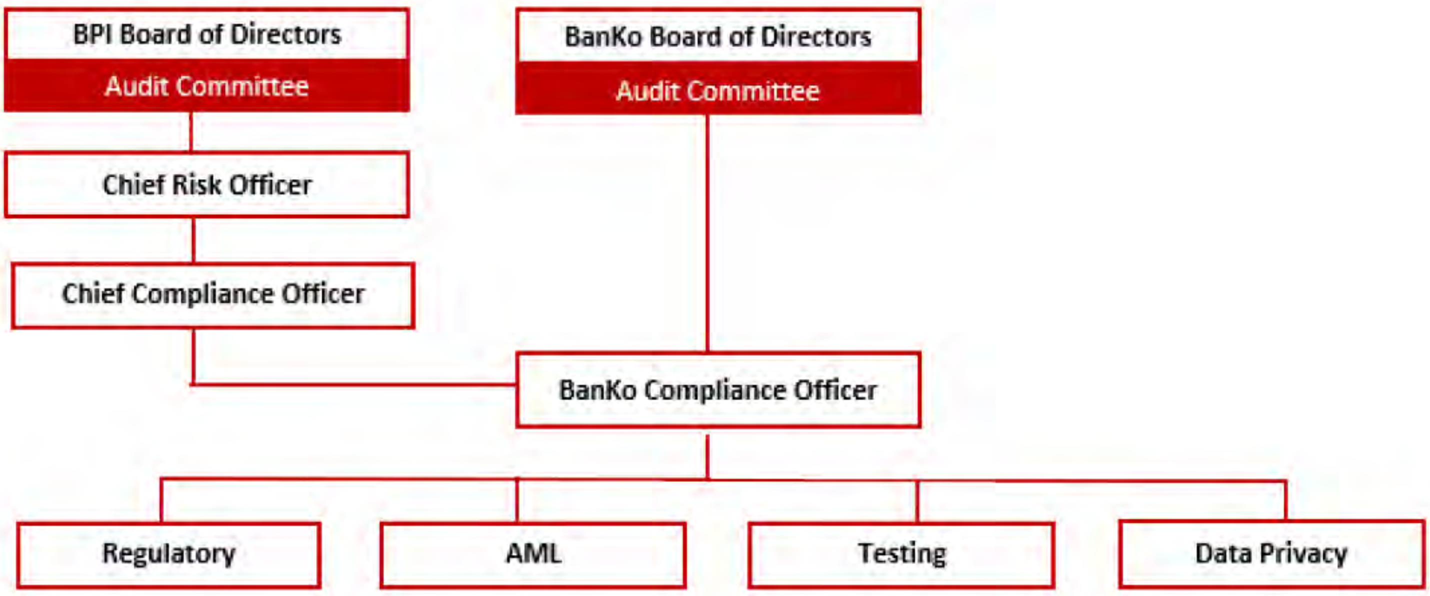
Operational risk-weighted assets. We currently use the Basel regulatory basic indicator approach to quantify operational risk-weighted assets, by using the historical total annual gross income as the main measure of risk. In 2023, the Bank's total operational risk-weighted assets stood at Php7,687 billion.

The table below presents the breakdown of the Bank's operational risk-weighted assets for 2023 and 2022:

OPERATIONAL RWA (Php Mn)	AMOUNT	
	2023	2022
Gross income (a)	3,467	3,330
Capital requirement 1/	520	500
Average capital requirement (b) 2/	615	540
Adjusted capital charge (c) 3/	769	674
TOTAL OPERATIONAL RWA 0/ 4/	7,687	6,743

0/ Risk-weighted assets
1/ (a) multiplied by 15 percent
2 / Average of 15 percent of (a) for the past (3) years 3 / (b) multiplied by 125 percent
4 / (c) multiplied by factor 10

COMPLIANCE



Regulatory Compliance

The Bank views compliance to mean not only adherence to laws, regulations, and standards but, more importantly, the consistent conduct of the affairs of the Bank within a culture of high integrity, bounded by conformity to ethical business practice, abiding by the principles of fair dealing, accountability and transparency. This ensures that in all our areas of activity, the Bank and its stakeholders are protected from regulatory and business risks as comprehensively as possible.

Oversight of the management of the Bank's regulatory and business risks and implementation of its compliance function is the responsibility of our Board of Directors, through the Audit Committee. At the management level, the compliance function is carried out by the Compliance Office, led by our Compliance Officer.

Anti-Money Laundering Compliance

The prevention of financial crimes is a top priority of BanKo, not only because they pose a significant threat to our reputation, but because they weaken the integrity of the global financial system. Hence, our Compliance Office extends its ambit beyond the Bank, its policies, and its employees to ensure that our clients also act within the law and do not use the Bank for illegal activities.

The Compliance Office's Anti-Money Laundering Department is responsible for monitoring customer and counterparty transactions in compliance with the Anti-Money Laundering Law, its implementing rules and regulations, and BSP Circular No. 706 and all other amendments thereto. The Bank's Money Laundering and Terrorist Financing Prevention Program (MTPP) aims to implement sound anti-money laundering practices and combat terrorist financing and other financial crimes.

Data Privacy

BanKo has a strong Data Privacy Policy in place, which describes to whom the policy applies to, what personal data the Bank collects and how such data is collected, how the Bank may use personal data for core business and marketing purposes, how the Bank may disclose and share such personal data, how such personal data is stored and retained, and how such data can be accessed or corrected. The Data Privacy Policy is posted on the company website and complies with the requirements of the Data Privacy Act and the National Privacy Commission.

Financial Consumer Protection Framework

BanKo is committed to empowering customers to make informed financial decisions, safeguarding their rights in all transactions with the Bank, and offering them a platform to voice their concerns regarding the Bank's products and services.

To enhance client protection further, the Bank adheres strictly to guidelines on responsible advertising and disclosures. This ensures that all crucial information on product features, terms and conditions, and associated risks, among others, is transparently and comprehensively communicated to both clients and potential clients.

Aligned with its parent company BPI, BanKo has implemented various initiatives aimed at enhancing customers' financial protection and satisfaction. These efforts are led by the Customer Experience Management Office (CXMO).

INITIATIVE NAME	DESCRIPTION
Financial Consumer Protection Policy	· Guidelines on the fair and responsible treatment of customers, as aligned with the Bangko Sentral ng Pilipinas (BSP) regulations on Financial Consumer Protection · All employees are required to take a mandatory Financial Consumer Protection Program training course annually
Customer Assistance Program	· Institutionalized guidelines ensuring that feedback from existing and potential clients are handled appropriately · Touchpoints and channels via phone, e-mail, website, social media accounts, branches, and offices whereby feedback, complaints, requests and inquiries are received · Mechanism for elevating cases, as needed, including those referred to the Bank by the BSP

Customer Assistance Officers (CAOs) are also assigned in every branch to support the CXMO. They undergo regular training that equips them to address customer concerns in accordance with bank policies.

The CXMO submits a consolidated report of complaints to the BanKo Management Committee and BPI CX Governance, ensuring that all actions taken to address customer complaints are appropriate and comply with established guidelines.

Statistics of Concerns Received

To enhance responsiveness, efficiency, and overall customer satisfaction, as well as to meet BSP requirements, in August 2023, BanKo outsourced the services of BPI Contact Center. This change enables the bank to effectively handle, and address customer inquiries received via various channels such as calls, website, email, and social media, serving the needs of both BanKo and non-BanKo clients alike. BanKo's CXMO continues to oversee all concerns, ensuring that complaints are recorded, properly escalated to the fulfillment units, and resolved within the prescribed turnaround time.

In 2023, the complaint-to-concern ratio remained remarkably low at 1.69%. Meanwhile, the bulk of concerns received were inquiries related to BanKo's products and services.

Number of Concerns Received	29,237
Number of Complaints	495
% of Complaints vs Concerns Received	1.69%
Number of Transactions	11,059,600
% of Complaints vs Number of Transactions	.0045%
Complaints Resolved	100%

SUSTAINABILITY FINANCE FRAMEWORK

BanKo, with its products PondoKo, NegosyoKo Loan, and NegosyoKo Lite, is dedicated to achieving Sustainable Development Goal (SDG) UN 8: Decent Work and Economic Growth for all. Since its launch in 2016, Banko has been committed to responsible banking, incorporating Environmental, Social, and Governance (ESG) principles.

Its unique sustainability formula, ESG+E_2, emphasizes the importance of achieving Economic Benefits (E_2) alongside sustainability initiatives. BanKo's Sustainability Agenda guides its integration of sustainability principles into strategic objectives, corporate governance, and risk management frameworks. It serves the unbanked and underbanked, providing sustainable financial solutions for microbusinesses, farmers, fishermen, and individuals in the C and D sectors.

BanKo's flagship product, the NegosyoKo Loan, supports micro-entrepreneurs in expanding their businesses. Additionally, Banko embraces digitalization, offering the PondoKo Savings account through a mobile app for financial inclusion and convenient cash flow management.

Through our extensive network of 348 branches, BanKo actively reaches out to unbanked and underserved markets, promoting internationally recognized sustainability practices while advancing financial inclusion in support of the UN Sustainable Development Goal (SDG 8) of fostering decent work and economic growth.

One notable collaboration is a test program with a leading restaurant chain that relies on agricultural produce from local farmers, where BanKo, in partnership with BPI Institutional Banking, provides affordable financing options to local farmer-suppliers. This initiative ensures their sustainability and success. By offering favorable loans to small onion farmer-suppliers, BanKo supports their investments, production, and expansion, while securing a stable restaurant supply chain. The project achieved a remarkable 100% repayment rate among the 58 farmer borrowers from the three participating cooperatives. This outstanding performance validates the effectiveness of the financing program and the trust established between the cooperatives and the project partners. Furthermore, the farmers supplied the restaurant chain with a total of 348,000 kilos of onions, contributing to their sourcing requirements during a time of onion scarcity. This program highlights how the innovation facilitated a reliable and sustainable supply chain, benefiting both the farmers and the company.

The project's success paves the way for its potential scalability, with plans to expand the program to the chain's 330 farmer cooperatives, encompassing other crops and amounting to a potential of PHP 440 million. Additionally, there is an opportunity to extend the collaboration to other BPI Institutional Banking clients and potentially reach 2.9 million small Filipino farmers. Overall, the project's results demonstrate its tangible impact, achievement of objectives, and significant potential for future growth and financial inclusion.

BanKo Driven by Sustainability and Excellence

The microfinance loans business of BanKo significantly contributes to Sustainability Development Goal 8, which focuses on the provision of decent work and economic growth among Filipinos. By offering an affordable source of additional capital for micro-businesses, BanKo helps spur growth and increase employment among its borrowers. BanKo has committed to supporting BPI's 2030 target of expanding access to banking and financial services to 25% of the unbanked population in the Philippines, specifically targeting the C and D market segments. By the end of December 2023, BanKo had achieved 50% of this 2030 target, leveraging its tailor-made financial solutions for the underbanked, including affordable and flexible loan offerings starting at PhP 5,000.00.

In June 2023, BanKo introduced the InstaCashKo Credit Line (ICL), a short-term microfinance credit line designed for self-employed micro-entrepreneurs (SEMEs) who require bridge financing. The ICL surpassed its first-year targets by 136%, demonstrating the effectiveness of BanKo's financial solutions in meeting the immediate and seasonal needs of small-scale businesses. Additionally, for fast-growing small-scale and self-employed businesses that require higher loan amounts, BanKo launched the Max500 Loan. This regular term loan supports the expanding operations of these businesses and exceeded its 2023 projections by an impressive 235%, highlighting BanKo's critical role in fueling the growth aspirations of its clients.

BanKo has also enhanced its customer engagement through the implementation of digital-based solutions and the promotion of a hyperlocal presence. By the end of 2023, BanKo had expanded its network to 348 branches, significantly widening its reach across the Philippines. This expansion ensures that BanKo can better serve a diverse range of customers, including farmers who need financial support for their agricultural activities.

Through these strategic initiatives and innovative financial products, BanKo continues to drive economic growth and support the livelihoods of micro-entrepreneurs, thereby contributing to the broader goal of sustainable development in the Philippines.

OVERVIEW OF THE MAJOR STOCKHOLDERS

The following is an overview of the Bank's major stockholders, including nationality, percentage of stockholdings and voting status (as of December 31, 2023):

AMENDED GENERAL INFORMATION SHEET (GIS)
STOCK CORPORATION

================================ PLEASE PRINT LEGIBLY ================================

CORPORATE NAME: BPI DIRECT BANKO, INC., A SAVINGS BANK (formerly BPI Direct Savings Bank, Inc.)

TOTAL NUMBER OF STOCKHOLDERS: 10 | NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH: 1

TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS: 22,448,371,157

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP		
1. BANK OF THE PHILIPPINE ISLANDS Filipino 22/F - 28/F Ayala Triangle Gardens Tower 2, Paseo De Roxas Cor. Makati Ave., Bel-Air, Makati City	Common A	14,399,991	1,439,999,100.00	100.00%	1,405,571,200.00	000-438-366-000
	Common B	600,000	60,000,000.00			
	TOTAL	14,999,991	1,499,999,100.00			
2. MARIE JOSEPHINE M. OCAMPO Filipino 596 Colgate St. East Greenhills, Mandaluyong City	Common A	1	100.00	0.00%	100.00	129-453-280
	TOTAL	1	100.00			
3. GERARDO C. ABLAZA, JR. Filipino 154 San Enrique Street, Ayala Alabang Village, Muntinlupa City	Common A	1	100.00	0.00%	100.00	107-169-884
	TOTAL	1	100.00			
4. IGNACIO R. BUNYE Filipino 101 Dr. Alfredo M. Bunye St., Alabang, Muntinlupa City	Common A	1	100.00	0.00%	100.00	130-921-365
	TOTAL	1	100.00			
5. JOSE FERDINAND R. DE LUZURIAGA Filipino 3 Basco Street, Las Villas de Manila, Biñan, Laguna	Common A	1	100.00	0.00%	100.00	146-868-956
	TOTAL	1	100.00			
6. RODELL A. GARCIA Filipino 18 Guijo cor Dao, Maywood Village I, Brgy. BF Homes, Paranaque City	Common A	1	100.00	0.00%	100.00	132-080-384
	TOTAL	1	100.00			
7. JEROME B. MINGLANA Filipino 8242 Sampaguita St., Phase 3 Marcelo Green Village, Parañaque City	Common A	1	100.00	0.00%	100.00	195-409-322
	TOTAL	1	100.00			
8. JESUS V. RAZON, JR. Filipino 83 Mabolo St., Mapayapa Village I, Capitol Site, Quezon City	Common A	1	100.00	0.00%	100.00	135-562-098
	TOTAL	1	100.00			
9. JUAN CARLOS L. SYQUIA Filipino 245 Langka St., Ayala Alabang Village, Muntinlupa City	Common A	1	100.00	0.00%	100.00	135-565-911
	TOTAL	1	100.00			
10. KARL KENDRICK T. CHUA Filipino Unit CP101 East of Galleria Condo., Topaz Road, Pasig City 1605	Common A	1	100.00	0.00%	100.00	208-284-713
	TOTAL	1	100.00			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			1,500,000,000.00	100.00%	1,405,572,100.00	
TOTAL AMOUNT OF PAID-UP CAPITAL						

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

EXECUTIVE MANAGEMENT

Rodolfo K. Mabiasen Jr.
Senior Vice President
Business Head, Financial Inclusion and Microfinance Solutions

Filipino, 49 years old, Mr. Mabiasen is the head of the bank's financial inclusion and microfinance solutions which oversees all microfinance businesses of the bank including loans, deposits and insurance. As such, he oversees departments in charge of client and product management, marketing, branch and BLU channels network, cash agency network, field sales, business development, digital platform management and business MIS.

Mr. Mabiasen has more than 27 years of banking experience. He has been assigned in branch banking operations and sales in BPI Family Bank and BPI since 1997. Prior to his secondment from BPI to Banko in 2017, he held the role of Area Business Director for North Luzon Branches under BPI's Retail Banking Group.

Mr. Mabiasen graduated with degrees of BS Accountancy and BS Commerce Major in Economics, graduating as Magna cum Laude in both degrees from St. Louis University, Baguio City in 1995. He passed the CPA Licensure Examination in 1996.

Ma. Cynthia Leticia S. De Jesus
Vice President
Compliance Officer

Filipino, 54 years old, Ms. De Jesus is the Compliance Officer and Head of the Bank's Compliance Office which oversees the implementation of the Bank's compliance programs and is composed of the following units: Regulatory Compliance, AML Compliance, Compliance Testing and Data Privacy.

Ms. De Jesus has more than 32 years of banking experience. She has been involved in various aspects of banking from marketing, product development, account management, support services, remittances and compliance. Prior to her secondment from BPI to Banko in May 2020, she held the role of Group Compliance Officer for Unsecured Lending and Cards.

Ms. De Jesus graduated with a degree of BS Economics, with Dean's Medal for Academic Excellence, from the University of the Philippines Diliman in 1990. She completed the Certificate Course in Strategic Compliance for the Banking Industry at the Center for Professional Development in Business of the De La Salle University in 2015.

Anne A. Delos Reyes
Vice President
Head of Client Solutions

Filipino, 54 years old, is the head of Client Acquisition and Management whose primary focus is on the growth of the Bank's client base and ensuring client's stickiness through acquisition programs, strategic partnerships and rewards programs.

Ms. delos Reyes has more than 33 years of banking experience. Prior to her secondment to BanKo in 2019, she held various positions in BPI where she served as Marketing Head for Remittance Business Group, Global Markets Group and as Product Head for Deposits.

Ms. delos Reyes is a graduate of De La Salle University with a degree in BS Commerce major in Applied Economics.

Maria Angelica G. Florentino
Vice President
Head, Enterprise Services

Filipino, 56 years old, Ms. Florentino is the current head of the bank's Enterprise Services which includes oversight on Human Resource and Training, Premises, Centralized Operations, Customer Care and the newly formed Affiliate Business and Customer Experience Management Office (CXMO). She is also a director of BPI Payments Holdings, Inc. (BPHI).

Ms. Florentino has more than 30 years of banking experience most of which was spent in the Unsecured Lending and Cards Group (ULCG) which includes Credit Cards, Debit Card, Prepaid Payments and Personal Loans. During her stint with this group, she was assigned to head various teams from Credit Initiation, Sales Distribution, Channel Management, Provincial Card Banking, Emerging Markets, Regional Marketing, Regional Merchant Acquiring and Market & Strategy Development. Prior to her secondment from BPI to BanKo in November 2022, she held the role of ULCG Customer Care and Analytics Head.

Ms. Florentino graduated with a degree of BS Business Administration from the University of the Philippines Diliman in 1987. She completed her masteral degree in Business Administration also from the University of the Philippines Diliman in 1994.

Francisca R. Dimaala
Assistant Vice President
Company Risk Officer

Filipino, 43 years old, Ms. Dimaala is the Company Risk Officer and Head of the Bank’s Risk Management Office primarily responsible for the integration, monitoring, and overall management of the Bank’s total risk and ensuring that all relevant financial and non-financial risks are identified, measured, monitored, and controlled within the Bank’s approved risk appetite and limits.

Ms. Dimaala is a Certified Public Accountant with more than 21 years of work experience specializing on Internal Audit, Know Your Customer Process, and Risk Management within financial institutions.

Ms. Dimaala obtained her Bachelor of Science in Accountancy from Philippine Christian University in 2001 with academic award.

Annie B. Alanano
Senior Manager
Treasurer

Filipino, 50 years old, Ms. Alanano is the Company Treasurer/Finance & Business MIS Head of the bank.

Prior joining BanKo, Ms. Alanano worked with RCBC (Rizal Commercial Banking Corporation) for 15 years. She managed Rizal MicroBank Microfinance Arm of RCBC for 4 years as Chief Finance Officer and Accounting Head under Controllership for 11 years. She held various positions in Accounting and Controllership for over 20 years in the banking industry.

Ms. Alanano graduated with a degree of Bachelor of Science in Accountancy from Lyceum of the Philippines.

{9bLhw a!b!D9a9b¢

tw9{L59b¢

Jerome B. Minglana

SENIOR VICE PRESIDENT

wƿŘƿŦŦƿ Yǐ aŀōƛŀăŜyĩ WNJǐ	–	Financial Inclusion and Microfinance Solutions

VICE PRESIDENT

aŀǐ /èyŭKƛŀ [ŜŭƛŎƛŀ {ǐ 5Ŝ WŜădză	–	Compliance
!yƴŜ !ǐ ŘŜŦƿă wŜèŜă	–	/ŀƛŜyŭ {ƿŦdzŭƛƿyă
aŀNJƛŀ !yƌŜŦƛŎŀ Dǐ CŦƿNJŜyŭƛyƿ	–	9yŭŜNJLJNJƛăŜ {ŜNJǾƛŎŜă

ASSISTANT VICE PRESIDENT

WŜyƛŎŜ 5ǐ /Kdzŀ	–	Human Resources
CNJŀyŎƛăŎŀ wǐ 5ƛYŀŀŦŀ	–	Risk Management
wŜdzōKŜyWƿăŜLJK aŀÈLJKŜNJ {ǐ tŀNJŀy	–	Digital Channels
Dŀōƛƛ Ŝŀ [ƿNJŜyÎƿ !ǐ tƿăŀŘŀă	–	Agency Distributions and Partnerships

SENIOR MANAGER

!yƴƛŜ .ǐ !ŦŀyƖŀyƿ	–	Treasurer, Finance & Business MIS
wŜè aŀNJŭƛy¢ǐ .ŜŦƛŘŀ	–	Mindanao Region Head
9Řdzŀ NJŘƿ wƿōŜNJŭƿ ±ǐ .ƿyŘŀYŜ	–	Credit
/KŀNJYŀƛyŜ aǐ /ŀYdză	–	Customer Experience
Wŀă LJŜNJ ¢ǐ 5ƛLJŀŦƛyƌ	–	Visayas Region Head
/èyŭKƛŀ aǐ 5ƿōŦŜă	–	Collections
aŀǐ /ŜŎƛŦƛŀ !ǐ DŀNJNJƛŘƿ	–	Quality Assurance
9ŭKŜŦ WŜyƴƛŦŜNJ /ǐ aŀōdzƖŀè	–	Channel Services
5ŜƴƴƛăbǐaŀNJŎŜŦƛyƿ	–	Technology
aŀNJŦƿ WƿKy tǐ aŀNJƿƿy	–	Employee Relations Head
WƿKywŀyŜŦŦ bǐ aƛyƖŀ	–	Information Security Management
!ōƌŀƛŦŦŜ !yƴŜ tǐ aƿyŎŜă	–	Project Management Head
WƿăŜLJK /ŀNJŦƿ Cǐ wŀƌŀÎŀ	–	South Luzon Region Head
WKƿŜŦ wǐ {ŀyƌŀ	–	North Luzon Region Head

PRODUCT AND SERVICES

DEPOSITS

Peso

Maxi-One Checking Account – An interest-bearing, ATM-based Peso checking account

Regular Savings Account - An interest-bearing, ATM-based Peso savings account

Todo Savings Account - A high interest-bearing digital savings account

Time Deposit Account - A non-transferrable, non-negotiable short to medium term placements which offer a higher yield versus a regular savings account

Foreign Currency

Savings Account - An interest-bearing, passbook-based US Dollar savings account

Microfinance

PondoKo Savings - An interest-bearing basic deposit account that can be accessed via the BanKo mobile app

LOANS

Consumer

Auto Loans – A secured term loan for purchase of a vehicle

Housing Loans - A term loan for purchase of a residential real estate property

Microfinance

NegosyoKo Loan - A micro-credit loan granted to the basic sectors, on the basis of the borrower's cash flow

ELECTRONIC CHANNELS

BanKo Mobile - BanKo Mobile app is a mobile platform for BanKo clients to open an account, apply for a loan, pay for a loan, send money via InstaPay

BRANCH DIRECTORY

A Branch refers to any permanent office other than the Head Office where the Bank may perform activities and provide products and services that are within the scope of its authority and relevant license.
Branch Lite Unit (BLU) refers to any permanent office or place of business of the Bank, other than its Head Office or a branch. It performs limited banking activities and records its transactions in the books of the Head Office or the branch to which it is annexed to.

	Location	Branch Type	Address
1	BanKo Head Office, Greenhills, NCR	Branch	220 Ortigas Avenue BanKo Center, North Greenhills, San Juan City
2	Naga, Camarines Sur	Branch	Unit 302 Level 3, Nagaland E-mall Elias Angeles Street San Francisco Naga City, Camarines Sur
3	Dumaguete, Negros Oriental	Branch	Unit K-12 Twin Arcade Building, Perdices Street, Dumaguete City, Negros Oriental
4	Davao, Davao Del Sur	Branch	Door 110 JLF Parkway Bldg., Magallanes corner Tomas Claudio Sts., Davao del Sur
5	Angeles, Pampanga	Branch	Romercial Purok 5, San Francisco St. Lourdes Northwest, Angeles City, Pampanga
6	Caloocan, NCR	Branch	G/F 98 A. Mabini Street Maypajo, Caloocan City, Metro Manila
7	Cainta, Rizal	Branch	RSJ-0104B RS City Square Ortigas Avenue Extension Cainta Rizal
8	Lipa, Batangas	Branch	Kapitan Simeon Luz, Barangay 4 Lipa City, Batangas
9	Iloilo, Iloilo	Branch	161 Fuentes Street, San Jose, Iloilo City
10	General Santos, South Cotabato	Branch	Santiago Blvd., General Santos City South Cotabato
11	Legazpi, Albay	Branch	2/F Hotel Rex Building, Aguinaldo corner Penaranda Sts. Legaspi City, Albay
12	San Fernando, Pampanga	Branch	G/F EKO Building. Consunji St. Barrio Sto. Rosario, San Fernando City, Pampanga
13	Tabaco, Albay	Branch-Lite Unit	VSP Building Riosa Street, Divino Rostro, Tabaco City, Albay
14	Iriga, Camarines Sur	Branch-Lite Unit	Tansylit Commercial Building, Zone 4 Alfelor St., San Roque, Iriga City, Camarines Sur
15	Apalit, Pampanga	Branch-Lite Unit	St. Jude Commercial Bldg., along MacArthur Highway, Brgy. San Vicente, Apalit, Pampanga
16	Guagua, Pampanga	Branch-Lite Unit	G/F 174 Lapid Bldg., Sto. Nino, Guagua, Pampanga
17	Sta. Ana, Pampanga	Branch-Lite Unit	Corner Gamboa St., and A. Dizon St., San Joaquin, Sta. Ana, Pampanga
18	Guihulngan, Negros Oriental	Branch-Lite Unit	Nesto Commercial Space, ML Quezon St., Guihulngan, Negros Oriental
19	Tanjay, Negros Oriental	Branch-Lite Unit	Josephine Building, Lot 642, Opao Barrio Poblacion, Tanjay City, Negros Oriental
20	Bayawan, Negros Oriental	Branch-Lite Unit	Cor. Bollos and J. P. Rizal St., Brgy. Boyco, Bayawan City
21	Digos, Davao Del Sur	Branch-Lite Unit	2094 Rizal Avenue, Zone II, Digos City, Davao Del Sur
22	Panabo, Davao Del Norte	Branch-Lite Unit	Asaje Realty Corporation Property, Prk. Tambis, Sto. Nino, Panabo City
23	Tagum, Davao Del Norte	Branch-Lite Unit	DCC Building, Dalisay-Gante Road Prk. Bayanihan, Magugpo West, Tagum City
24	Mati, Davao Oriental	Branch-Lite Unit	Lot 12, Blk 13, Asaje Building, Rizal Ext., Barangay Central City of Mati, Davao Oriental
25	Pili, Camarines Sur	Branch-Lite Unit	Guevarra St., Old San Roque, Pili, Camarines Sur
26	Butuan, Agusan Del Norte	Branch	Purok 7, Brgy. Limaha 14, Langihan Road, Butuan City, Agusan Del Norte
27	Iligan, Lanao Del Norte	Branch	Door #4 Alco Building, Gregorio T. Lluch, Sr Ave. corner F. B. Laya St. Iligan City, Lanao Del Norte
28	Santa Maria, Bulacan	Branch	J. C. De Jesus St., Poblacion, Santa Maria, Bulacan
29	Tanauan, Batangas	Branch-Lite Unit	Almeda Space Rental, Burgos St., Poblacion 7, Tanauan City, Batangas
30	Ozamis, Misamis Occidental	Branch-Lite Unit	G/F Chua Hong Building, Rizal Avenue Corner Don Anselmo Bernard Avenue, Carmen (Annex) Ozamis City, Misamis Occidental
31	Baliuag, Bulacan	Branch-Lite Unit	J & U Bldg., 321 B.S Aquino Ave., Bagong Nayon, Baliuag Bulacan
32	Dagupan, Pangasinan	Branch	#20 Burgos St., Brgy. Tapuac, Dagupan City, Pangasinan
33	Urdaneta, Pangasinan	Branch-Lite Unit	Lot 357-B Mac Arthur Highway Poblacion, Urdaneta City, Pangasinan
34	Marilao, Bulacan	Branch-Lite Unit	2nd Floor 208, Poblacion 2, Marilao, Bulacan
35	Gingoog, Misamis Oriental	Branch-Lite Unit	Princity Bldg., Barangay 19 Gingoog City, Misamis Oriental
36	Toril, Davao Del Sur	Branch-Lite Unit	Purok 8 Vdlr Street, Lower Portion, Brgy. Bayabas Crossing, Toril District, Davao City
37	Kidapawan, North Cotabato	Branch-Lite Unit	Armando Realty Corp., Padilla St., Brgy. Poblacion, Kidapawan, North Cotabato
38	San Jose De Buenavista, Antique	Branch-Lite Unit	Bantayan Road, Funda-Dalipe, San Jose De Buenavista, Antique
39	Silang, Cavite	Branch-Lite Unit	01 Yakal St. Brgy. San Miguel I, Silang, Cavite
40	Iba, Zambales	Branch-Lite Unit	2nd Floor, Camara Bldg., National Road Zone I, Iba, Zambales
41	Mandaue, Cebu	Branch-Lite Unit	Unit 1B Zion Center, A. Del Rosario St. Brgy. Guizo, Mandaue City Cebu
42	Concepcion, Tarlac	Branch-Lite Unit	Arthur Go Bldg., L. Cortez St., Brgy. San Jose, Concepcion, Tarlac
43	Tarlac City, Tarlac	Branch	NP Magbag Bldg. F. Tanedo corner Sapiro St. San Nicolas, Tarlac City
44	Binangonan, Rizal	Branch-Lite Unit	GMG Bldg. Blk 1 Lot 1 Blueridge Village, Brgy. Tagpos, Binangonan Rizal
45	Ilagan, Isabela	Branch-Lite Unit	Rizal St., San Vicente, Ilagan City, Isabela
46	Baguio, Benguet	Branch	First Floor L3-F1 Kayang Business Center, Kayang Cor. Chugum St., Brgy. AZCKO, Baguio City, Benguet
47	Balanga, Bataan	Branch	Capinpin Road, Market Site San Jose, Balanga City, Bataan
48	Tuguegarao, Cagayan	Branch	Rizal Street, Centro 08, Tuguegarao City, Cagayan
49	Santa Rosa, Laguna	Branch-Lite Unit	#94, J.P. Rizal Blvd., Tagapo, Santa Rosa Laguna
50	Gumaca, Quezon	Branch-Lite Unit	J. P. Rizal St., Brgy. Penafrancia, Gumaca, Quezon
51	Kalibo, Aklan	Branch-Lite Unit	Door F. Barrios Building Roxas Ave., Ext. Andago, Kalibo, Aklan
52	Estancia, Iloilo	Branch-Lite Unit	E. Reyes Ave., Poblacion Zone 2, Estancia, Iloilo
53	Paniqui, Tarlac	Branch-Lite Unit	GF Patricia Anne Bldg. M. H. Del Pilar St. Brgy. Estacion, Paniqui Tarlac
54	Tanay, Rizal	Branch-Lite Unit	Sampaloc Rd., Brgy. Plaza Aldea, Tanay Rizal
55	Kabankalan, Negros Occidental	Branch-Lite Unit	G. Cordova St., Brgy. 3, Kabankalan City, Negros Occidental
56	San Francisco, Agusan Del Sur	Branch-Lite Unit	Unit 4, Romana-Paul Tan Building, Bonifacio Street, Poblacion, Brgy. 4, San Francisco, Agusan Del Sur
57	Malaybalay, Bukidnon	Branch-Lite Unit	Moreno St., Barangay 05, Malaybalay City, Bukidnon
58	Cagayan De Oro, Misamis Oriental	Branch	Door#2, Anthony Tion Bldg., Hayes St. Nazareth, Cagayan De Oro City
59	La Trinidad, Benguet	Branch-Lite Unit	Rose Buan Bldg., KM 4 Balili, La Trinidad, Benguet
60	Puerto Princesa, Palawan	Branch	GSK Bldg., Lacao St. Puerto Princesa City, Palawan
61	Cabatuan, Iloilo	Branch-Lite Unit	Morales Bldg., Rizal St., Cabatuan Iloilo
62	Antipolo, Rizal	Branch-Lite Unit	Lot 64-66, Cogeo Trade Hall, Sitio Kasapi, Bagong Nayon, Antipolo City
63	Bacolod, Negros Occidental	Branch	Door 5 Ava Arcade San Sebastian Gatuslao St., Brgy. 13, Bacolod City, Negros Occidental
64	Malolos, Bulacan	Branch-Lite Unit	#31 Tanjeco St., San Vicente, Malolos City, Bulacan
65	San Jose, Nueva Ecija	Branch-Lite Unit	#126 Maharlika Highway. Brgy. Malasin, San Jose City, Nueva Ecija

	Location	Branch Type	Address
66	Gapan, Nueva Ecija	Branch-Lite Unit	Maharlika Hiway, JC Ramirez Bldg., Brgy. San Vicente, Gapan City, Nueva Ecija
67	San Carlos, Negros Occidental	Branch-Lite Unit	JL Tourist Inn, S. Carmona St., Brgy. IV, San Carlos City, Negros Occidental
68	San Carlos, Pangasinan	Branch-Lite Unit	#38 Rizal Ave., San Carlos City, Pangasinan
69	Cauayan, Isabela	Branch-Lite Unit	King Street Mall, Rizal Ave., District III, Cauayan City, Isabela
70	Santiago, Isabela	Branch-Lite Unit	A and A Musngi Bldg., City Road Centro East, Santiago City, Isabela
71	Tacloban, Leyte	Branch	Cor. P. Zamora S. P. Paterno Sts., Brgy. 26 Tacloban City, Leyte
72	Catarman, Northern Samar	Branch-Lite Unit	Corner Quirino Street, Barangay Jose P. Rizal, Catarman, Northern Samar
73	Surigao, Surigao Del Norte	Branch	Borromeo Cor. Magallanes St., Brgy. Washington, Surigao City, Surigao Del Norte
74	Vigan, Ilocos Sur	Branch	Sky 1 Bldg., Del Pilar St., Barangay VIII, Vigan City
75	Calamba, Laguna	Branch	106 Commerce Center, Parian, Calamba City, Laguna
76	Candelaria, Quezon	Branch-Lite Unit	Del Valle St., Poblacion, Candelaria Quezon
77	Polomolok, South Cotabato	Branch-Lite Unit	Cannery Road, Sanchez Subd., Brgy. Poblacion, Polomolok, South Cotabato
78	Tacurong, Sultan Kudarat	Branch-Lite Unit	Jose Abad Santos Street, Poblacion, Tacurong City, Sultan Kudarat
79	Balayan, Batangas	Branch-Lite Unit	Lot 356-A #123 Damballelos St. Brgy 4 Balayan, Batangas
80	Roxas, Capiz	Branch	JRA Commercial Building, Pavia St., Brgy. IX, Roxas City, Capiz
81	Ligao, Albay	Branch-Lite Unit	1 Door 10 Dy - OK Bldg., Legazpi St., Guilid, Ligao City, Albay
82	Masbate, Masbate	Branch	Good Star Bldg., Corner Cortidor & Zurbito Sts., Bapor, Masbate City
83	Lapu-Lapu, Cebu	Branch-Lite Unit	Ompad St. Poblacion, Lapu-Lapu City, Cebu
84	Ormoc, Leyte	Branch-Lite Unit	Gr. Fl Lam Bldg., Cor. Carlos Tan & Mabini St., District 23, Ormoc City, Leyte
85	Laoag, Ilocos Norte	Branch	2nd Floor, Conching Bldg., Rizal St., Brgy 16, Laoag City, Ilocos Norte
86	Bangued, Abra	Branch-Lite Unit	McKinley St. Zone 2, Bangued, Abra
87	San Jose Del Monte, Bulacan	Branch-Lite Unit	MASJ Building Unit D&E Carriedo St., Muzon, San Jose, Del Monte, Bulacan
88	Tagbilaran, Bohol	Branch	6R's Bldg. Belderol St., Cogon, Tagbilaran City, Bohol
89	Cebu City, Cebu	Branch	Unit 6, The Eden, Colon St., Kalubihan, Cebu City
90	Danao, Cebu	Branch-Lite Unit	Rizal St., Poblacion, Danao City, Cebu
91	Maasin, Southern Leyte	Branch-Lite Unit	Oppus St., Tunga Tunga, Maasin City, Southern Leyte
92	Sagay, Negros Occidental	Branch-Lite Unit	Avancena St. cor. Osmena St., Poblacion 1, Sagay City, Negros Occidental
93	Silay, Negros Occidental	Branch-Lite Unit	Prince Hypermart, Cor. Antonio Luna and Rizal St., Brgy. I Silay City, Negros Occidental
94	Solano, Nueva Vizcaya	Branch	1 De Luna Bldg. Espino St., Brgy. Quirino, Solano, Nueva Vizcaya
95	Binan, Laguna	Branch-Lite Unit	12 San Francisco Road, Bgy. Canlalay, Binan, Laguna
96	Santa Cruz, Laguna	Branch-Lite Unit	1618 J. Falcon St., Poblacion 5, Sta. Cruz Laguna
97	Lucena, Quezon	Branch	29A Quezon Avenue cor. Ravanzo St., Brgy. I, Lucena City, Quezon
98	Calapan, Oriental Mindoro	Branch	J.P. Rizal St., San Vicente Central, Calapan, Oriental Mindoro
99	Polangui, Albay	Branch-Lite Unit	Sapalicio St., Basud, Polangui, Albay
100	Baler, Aurora	Branch	Purok 2, Sitio Kinalapan, Brgy. Pingit, Baler, Aurora
101	Cabanatuan City, Nueva Ecija	Branch	Cor. Burgos and Sanciangco Sts., Brgy. Fatima, Cabanatuan City Nueva Ecija
102	Valencia, Bukidnon	Branch	NVM Mall, Guinoyan Road, P-4, Poblacion, Valencia City, Bukidnon
103	San Jose, Occidental Mindoro	Branch-Lite Unit	Capt. Cooper St., Poblacion, Brgy. IV, San Jose, Occidental Mindoro
104	Olongapo, Zambales	Branch	GF 1995 Ave., West Bajac Bajac, Olongapo City, Zambales
105	San Fernando, La Union	Branch-Lite Unit	BHF Bldg., 147 P. Burgos St., Ilocanos Sur, San Fernando City La Union
106	Virac, Catanduanes	Branch-Lite Unit	Brgy. Concepcion, Virac, Catanduanes
107	Batangas City, Batangas	Branch-Lite Unit	H. C. Tomson Commercial Bldg., D. Silang St. Poblacion 015, Batangas City
108	Sorsogon, Sorsogon	Branch	Quezon St., Polvorista, Sorsogon City, Sorsogon
109	Bacoor, Cavite	Branch	No. 369 Gen. E. Aguinaldo Hi-way, Talaba IV, Bacoor Cavite
110	Koronadal, South Cotabato	Branch-Lite Unit	Salanga Bldg., Morales Ave., Brgy. Gen. P. Santos, Koronadal City, South Cotabato
111	Cadiz, Negros Occidental	Branch-Lite Unit	Magsaysay Ext., Andrea Village, Poblacion 3, Cadiz City, Negros Occidental
112	Roxas, Isabela	Branch-Lite Unit	Bethany Hotel Bldg., Osmena St., Brgy. Bantug, Roxas, Isabela
113	Brooke's Point, Palawan	Branch-Lite Unit	NT Bldg., Poblacion District II, National Highway, Brooke's Point, Palawan
114	Tigbauan, Iloilo	Branch-Lite Unit	Tupas St., Brgy. 7 Poblacion, Tigbauan, Iloilo
115	Pinamalayan, Oriental Mindoro	Branch-Lite Unit	Amando Marciano Bldg. cor. Mabini and Quezon St., Zone III, Pinamalayan, Oriental Mindoro
116	Rodriguez, Rizal	Branch	#50 E. Rodriguez Hi-way corner Kalantas St., Brgy. San Jose, Rodriguez, Rizal
117	Trece Martires, Cavite	Branch-Lite Unit	13 Martyrs St., Mariden Bldg. Brgy. San Agustin, Trece Martires, Cavite
118	Consolacion, Cebu	Branch-Lite Unit	Westside Properties, 803 V & G Subdivision, Brgy. Nangka, Consolacion, Cebu
119	Lingayen, Pangasinan	Branch-Lite Unit	41 C. Avenida Rizal, East Poblacion, Lingayen, Pangasinan
120	Rosales, Pangasinan	Branch	CSC Bldg., General Luna St., Zone III, Poblacion, Rosales, Pangasinan
121	Boac, Marinduque	Branch	Del Mundo St. Cor. Madrigal St., Brgy. Malusak, Boac, Marinduque
122	Minglanilla , Cebu	Branch-Lite Unit	1316 Natalio B. Bacalso, South National Highway, Poblacion Ward I, Minglanilla, Cebu
123	Dasmariñas, Cavite	Branch-Lite Unit	Unit 6 Ground Floor AVM Building, Isidro Mangubat St., Brgy. Zone IV, Dasmarinas, Cavite
124	Pototan, Iloilo	Branch-Lite Unit	#5008 SRG Bldg., Villa Cecilia Subd., Brgy. Malusgod, Pototan, Iloilo
125	Talisay, Cebu	Branch-Lite Unit	Talisay Town Center Unit 12, Victoria St., Bgy. Tabunok, Talisay City, Cebu
126	Cubao, NCR	Branch	St. Anthony Bldg., Aurora Blvd., Brgy. E. Rodriguez, Cubao, Quezon City
127	Cavite City , Cavite	Branch-Lite Unit	P. Burgos Avenue, Caridad, Cavite City, Cavite
128	GMA, Cavite	Branch-Lite Unit	Door 4 Umerez Properties Bldg., Bgy. San Gabriel, GMA formerly Carona, Cavite
129	Rosario, Cavite	Branch-Lite Unit	#248 Abutin Bldg., Gen. Trias Drive, Tejeros Convention Bgy. Tejeros, Rosario, Cavite
130	Sariaya, Quezon	Branch-Lite Unit	Maharlika Highway, cor. Pablo St., Sariaya, Quezon
131	Lemery, Batangas	Branch-Lite Unit	Miranda Building, Ilustre Avenue, District 3, Lemery, Batangas
132	Guimaras, Guimaras	Branch-Lite Unit	Zemkamps Chalet Bldg. Stall 5 & 6, New Site, San Miguel, Jordan, Guimaras
133	Daet, Camarines Norte	Branch	Bagasbas Road cor. Diego Linan St., Bgy. 6, Daet, Camarines Norte
134	Plaridel, Bulacan	Branch-Lite Unit	JMET's Building 215 J. Garcia St., Banga 1st, Plaridel, Bulacan
135	General Trias, Cavite	Branch-Lite Unit	9026 C.M. Delos Reyes St., Bgy. Manggahan, General Trias City, Cavite
136	Talavera, Nueva Ecija	Branch-Lite Unit	Maharlika Highway, Esguerra District, Talavera, Nueva Ecija
137	Imus, Cavite	Branch-Lite Unit	R. Nuguid & Sons, Inc., Building, Emilio Aguinaldo Highway, Brgy. Tanzang Luma 3, Imus, Cavite
138	Bago, Negros Occidental	Branch-Lite Unit	2nd St., Marhil Subdivision, Poblacion, Bago City, Negros Occidental
139	Bayambang, Pangasinan	Branch-Lite Unit	Rizal Avenue, Poblacion Sur, Bayambang, Pangasinan
140	Lucban, Quezon	Branch-Lite Unit	Quezon Avenue, Lucban, Quezon

	Location	Branch Type	Address
141	Carcar, Cebu	Branch	San Vicente St., Poblacion 1, Carcar City, Cebu
142	Floridablanca, Pampanga	Branch-Lite Unit	Sta. Maria St., Poblacion, Floridablanca, Pampanga
143	Mangaldan, Pangasinan	Branch-Lite Unit	602 Rizal St., Brgy. Poblacion, Mangaldan, Pangasinan
144	Nasugbu, Batangas	Branch-Lite Unit	Brias St., Barangay 9, Nasugbu, Batangas
145	San Juan, Batangas	Branch-Lite Unit	Gen. Luna St., Poblacion, San Juan, Batangas
146	Bogo, Cebu	Branch-Lite Unit	J. Almerante St., Brgy. San Vicente, Bogo City, Cebu
147	Baybay, Leyte	Branch-Lite Unit	Prince Town Baybay Unit N-24 A. Bonifacio St., Baybay City, Leyte
148	Ubay , Bohol	Branch-Lite Unit	Tan Nene St., Poblacion, Ubay, Bohol
149	Pagadian, Zamboanga Del Sur	Branch-Lite Unit	J. Ariosa St., San Francisco District, Pagadian City, Zamboanga del Sur
150	Calinog, Iloilo	Branch-Lite Unit	Cor. Rizal-Osmena St., Poblacion Centro, Calinog, Iloilo
151	Labo, Camarines Norte	Branch-Lite Unit	Don Juan Building 2, Brgy. Masalong, Labo, Camarines Norte
152	Guimba, Nueva Ecija	Branch-Lite Unit	Onjianco St., Brgy. Sta. Veronica, Guimba, Nueva Ecija
153	Mariveles, Bataan	Branch-Lite Unit	Lot 1B, Jonalyn's Bldg., Paguio St., Poblacion, Mariveles, Bataan
154	Magalang, Pampanga	Branch-Lite Unit	Acejo, Arnel B. Bldg., Sta. Cruz, Magalang, Pampanga
155	Bayugan, Agusan Del Sur	Branch-Lite Unit	Libres St., Taglatawan, Bayugan, Agusan del Sur
156	Maramag, Bukidnon	Branch-Lite Unit	Jacob, Juanity Bldg. P-2 South Poblacion, Maramag, Bukidnon
157	Candon, Ilocos Sur	Branch-Lite Unit	Doña Catalina's Bldg., National Highway, Bgy. San Isidro, Candon City, Ilocos Sur
158	Sto. Tomas, Batangas	Branch-Lite Unit	Sierra Makiling Bldg., Maharlika Highway, Brgy. San Antonio, Sto. Tomas, Batangas
159	Dipolog, Zamboanga Del Norte	Branch-Lite Unit	Quezon Avenue, Brgy. Central, Dipolog City, Zamboanga del Norte
160	Irosin, Sorsogon	Branch-Lite Unit	St. Vincent Building, Bgy. San Julian, Irosin, Sorsogon
161	Jagna, Bohol	Branch-Lite Unit	75 Shopping Center, Looc, Jagna, Bohol
162	Dumanjug, Cebu	Branch-Lite Unit	Gaisano Grand Mall Dumanjug Unit DMG-ARS-03 G/F Arcade Villa St., cor. G. Gica St., Poblacion, Dumanjug, Cebu
163	Toledo, Cebu	Branch-Lite Unit	V & U Bldg., corner Rafols and Poloyapoy St., Toledo City, Cebu
164	Mabalacat, Pampanga	Branch-Lite Unit	Clark Gateway Commercial Complex, L 290 & 292 Velasquez St., San Francisco, Mabalacat, Pampanga
165	Porac, Pampanga	Branch-Lite Unit	General Luna St., Bgy. Cangatba, Porac, Pampanga
166	Capas, Tarlac	Branch-Lite Unit	Sto. Cristo St., Brgy. Sto. Rosario, Capas, Tarlac
167	Hilongos, Leyte	Branch-Lite Unit	C.V Alcuino St., Brgy. Central Pob. Hilongos, Leyte
168	Allen, Northern Samar	Branch-Lite Unit	Rizal St., Brgy. Sabang 1, Allen, Northern Samar
169	Calbayog, Samar	Branch-Lite Unit	Rosales Blvd., Bgy. Central, Calbayog City, Eastern Samar
170	Catbalogan, Samar	Branch	2nd Floor, Casa Cristina Hotel Building, 152 San Roque St., Bgy. Poblacion 11, Catbalogan City, Samar
171	Borongan, Eastern Samar	Branch-Lite Unit	Brgy. Songco, Borongan City, Eastern Samar
172	Hinigaran, Negros Occidental	Branch-Lite Unit	Rizal B St., Bgy. 4, Poblacion, Hinigaran, Negros Occidental
173	Alaminos, Pangasinan	Branch-Lite Unit	BHF Blue Horizon Building, Quezon Avenue, Poblacion, Alaminos, Pangasinan
174	Villanueva, Misamis Oriental	Branch-Lite Unit	NVCDC Building 1, National Highway, Katipunan, Villanueva, Misamis Oriental
175	Tandag, Surigao Del Sur	Branch-Lite Unit	Cabrera St., Purok Maligaya, Bag-ong Lungsod, Tandag City, Surigao del Sur
176	Agoo, La Union	Branch-Lite Unit	56 National Highway, San Miguel, Agoo, La Union
177	Pagbilao, Quezon	Branch-Lite Unit	Corner Alvarez, Bonifacio St., Bgy. Del Carmen, Pagbilao, Quezon
178	Nabunturan, Davao De Oro	Branch-Lite Unit	Arellano St., Puro 5, Poblacion, Nabunturan, Compostela Valley
179	Cotabato, Maguindanao	Branch	Ground Floor, Happy King Hotel and Restaurant, Jose Lim Sr. Street., Cotabato City
180	Rosario, Batangas	Branch-Lite Unit	26 Carandang St. Brgy. C, Rosario, Batangas
181	Oroquieta, Misamis Occidental	Branch-Lite Unit	John Paul Co. Bldg., Barrientos St., Poblacion 2, Oroquieta City, Misamis Occidental
182	Sindangan, Zamboanga Del Norte	Branch-Lite Unit	Gov. Lim St., cor. Mabini St., Poblacion, Sindangan, Zamboanga del Norte
183	Molave, Zamboanga Del Sur	Branch-Lite Unit	Rizal Ave., cor Quezon St., Purok Bulawanon, Bgy. Madasigon, Molave, Zamboanga del Sur
184	Zamboanga City, Zamboanga Del Sur	Branch	Jilron Bldg., La Purisima St. Zone II, Zamboanga City, Zamboanga del Sur
185	Ipil, Zamboanga Sibugay	Branch-Lite Unit	Ipil Citi Suites Hotel Building Purok San Francisco, Poblacion, Ipil, Zamboanga Sibugay
186	Goa, Camarines Sur	Branch-Lite Unit	Rizal St. Brgy. Panday, Goa, Camarines Sur
187	San Miguel, Bulacan	Branch-Lite Unit	Tecson St., Bgy. San Jose, San Miguel, Bulacan
188	Hagonoy, Bulacan	Branch-Lite Unit	#2 Emilio Perez St., Purok 4, Bgy. Sto. Nino, Hagonoy, Bulacan
189	City Of Naga, Cebu	Branch-Lite Unit	National Highway, South Poblacion, City of Naga, Cebu
190	Tanza, Cavite	Branch-Lite Unit	Antero Soriano Highway, Poblacion 4, Tanza, Cavite
191	Victorias, Negros Occidental	Branch-Lite Unit	Lot 51-54 Blk 1 Osmena Avenue, Brgy. 13, Victorias City, Negros Occidental
192	San Marcelino, Zambales	Branch-Lite Unit	Delta Building, National Highway, Bgy. Consuelo Sur, San Marcelino, Zambales
193	Malasiqui, Pangasinan	Branch-Lite Unit	JB Realty Calle Montemayor, Bgy. Poblacion, Malasiqui, Pangasinan
194	Pozorrubio, Pangasinan	Branch-Lite Unit	Poblacion, District IV, Pozorrubio, Pangasinan
195	Tayug, Pangasinan	Branch-Lite Unit	Corner Magtali St. and Bonifacio St., Bgy. Poblacion B, Tayug, Pangasinan
196	Los Baños, Laguna	Branch-Lite Unit	Ocho Miembros Bldg., Brgy. Maahas, National Highway, Los Banos, Laguna
197	San Pablo, Laguna	Branch-Lite Unit	A. Flores St., Bgy. 7-C, San Pablo City, Laguna
198	San Pedro, Laguna	Branch-Lite Unit	14-E Luna St., Poblacion, San Pedro, Laguna
199	Oton, Iloilo	Branch-Lite Unit	J.C. Zulueta St., Poblacion South, Oton, Iloilo
200	Passi, Iloilo	Branch-Lite Unit	Padernilla St., Poblacion, Passi City, Iloilo
201	Norzagaray, Bulacan	Branch-Lite Unit	Roadside View Subdivision, Bgy. Partida, Norzagaray, Bulacan
202	Arayat, Pampanga	Branch-Lite Unit	Pistahan Building, Bgy. Plazang Luma, Arayat, Pampanga
203	Tumauini, Isabela	Branch-Lite Unit	#49 National Highway, Bgy. San Pedro, Tumauini, Isabela
204	Zaragoza, Nueva Ecija	Branch-Lite Unit	Biak na Bato, Del Pilar East, Zaragoza, Nueva Ecija
205	Cuyapo, Nueva Ecija	Branch-Lite Unit	Aguila St., District 1, Cuyapo, Nueva Ecija
206	Rizal, Nueva Ecija	Branch-Lite Unit	Aglipay St., Poblacion Sur, Rizal, Nueva Ecija
207	Lubao, Pampanga	Branch-Lite Unit	#31 JP Rizal St., Sta. Cruz, Lubao, Pampanga
208	Sipalay, Negros Occidental	Branch-Lite Unit	Corner Lacson, Alvarez St., Bgy. 1, Poblacion, Sipalay, Negros Occidental
209	Alicia, Isabela	Branch-Lite Unit	LM Building, Magsaysay, Alicia, Isabela
210	Cabadbaran, Agusan Del Norte	Branch-Lite Unit	A. Curato St., Corner Garame St., Bgy. 4, Poblacion, Cabadbaran City, Agusan del Norte

	Location	Branch Type	Address
211	Manolo Fortich, Bukidnon	Branch-Lite Unit	Prince Hypermart Bgy. Tankulan, Manolo Fortich, Bukidnon
212	Compostela, Davao De Oro	Branch-Lite Unit	Purok 9 Magsaysay St., Poblacion, Compostela, Compostela Valley
213	M'lang, North Cotabato	Branch-Lite Unit	M.H. Del Pilar St., Poblacion, M'lang, North Cotabato
214	Bantayan, Cebu	Branch-Lite Unit	Ticad, Bantayan, Cebu
215	Daanbantayan, Cebu	Branch-Lite Unit	Osmena St., Poblacion, Daanbantayan, Cebu
216	Naic, Cavite	Branch-Lite Unit	Corner Public Market Road, Poblete St., Ibayo, Silangan, Naic, Cavite
217	Siquijor, Siquijor	Branch-Lite Unit	St. Francis Assisi Convent New Building, Poblacion, Siquijor, Siquijor
218	Aparri, Cagayan	Branch-Lite Unit	EH Chua Bldg., 68 De Rivera St., Centro 14, Aparri, Cagayan
219	Bambang, Nueva Vizcaya	Branch-Lite Unit	Maharlika Highway, Brgy. Banggot, Bambang, Nueva Vizcaya
220	Aritao, Nueva Vizcaya	Branch-Lite Unit	Purok Payao, Poblacion, Aritao, Nueva Vizcaya
221	San Ildefonso, Bulacan	Branch-Lite Unit	National Highway, Sapang Putol, San Ildefonso, Bulacan
222	Guiguinto, Bulacan	Branch-Lite Unit	GD Plaza, Mc Arthur Hiway, Ilang-ilang, Guiguinto, Bulacan
223	Manaoag, Pangasinan	Branch-Lite Unit	Ground Floor JCJ Bldg. Soriano St., Poblacion, Manaoag, Pangasinan
224	Cabagan, Isabela	Branch-Lite Unit	Ugad, Cabagan, Isabela
225	Cabarroguis , Quirino	Branch-Lite Unit	Purok 2, Gundaway, Cabarroguis, Quirino
226	Bauang, La Union	Branch-Lite Unit	Blade Building, National Highway, Qinavite, Bauang, La Union
227	Midsayap, North Cotabato	Branch-Lite Unit	Corner Quezon Ave., National Highway, Poblacion 3, Midsayap, Cotabato
228	Surallah, South Cotabato	Branch-Lite Unit	Poblacion, Surallah, South Cotabato
229	Bauan, Batangas	Branch-Lite Unit	Sta. Cruz St. Poblacion IV, Bauan, Batangas
230	San Jose, Batangas	Branch-Lite Unit	Macalintal Ave., Brgy. Sto. Cristo, San Jose, Batangas
231	Calumpit, Bulacan	Branch-Lite Unit	St. Peter Commercial Bldg. Mc Arthur Hi-way, Corazon, Calumpit, Bulacan
232	Balagtas, Bulacan	Branch-Lite Unit	National Highway, Balagtas, Bulacan
233	Meycauayan , Bulacan	Branch-Lite Unit	Meycauayan College Mc Arthur Highway, Calvario, Meycauayan, Bulacan
234	Murcia, Negros Occidental	Branch-Lite Unit	Corner Dinsay, Arimas St., Bgy. Zone IV, Murcia, Negros Occidental
235	Narvacan, Ilocos Sur	Branch-Lite Unit	Old National Highway St., San Jose, Narvacan, Ilocos Sur
236	Santa Cruz, Ilocos Sur	Branch-Lite Unit	Gabor Norte, Sta. Cruz, Ilocos Sur
237	Bansalan, Davao Del Sur	Branch-Lite Unit	R. Delos Cientos St., Poblacion Dos, Bansalan, Davao Del Sur
238	Samal, Davao Del Sur	Branch-Lite Unit	P-1 Sitio Pantalan, Brgy. Miranda-Pichon, Island Garden City of Samal, Davao del Norte
239	Santo Tomas, Davao Del Norte	Branch-Lite Unit	FDR District 3, National Highway, Sto. Tomas, Davao del Norte
240	Buug, Zamboanga Sibugay	Branch-Lite Unit	National Highway, Buug, Zamboanga Sibugay
241	Solana, Cagayan	Branch-Lite Unit	#054 Rizal St., Bgy. Centro Southeast, Solana, Cagayan
242	Bislig, Surigao Del Sur	Branch-Lite Unit	Door 2 Sia Bldg., RB Castillo St., Mangagoy, District II, Bislig, Surigao del Sur
243	Lopez, Quezon	Branch-Lite Unit	10 Rosario Corner Judge Olega St. Brgy. Gomez, Lopez, Quezon
244	Kabacan, North Cotabato	Branch-Lite Unit	Rizal Avenue, Poblacion, Kabacan, Cotabato
245	Calabanga, Camarines Sur	Branch-Lite Unit	San Antonio, Poblacion, Calabanga, Camarines Sur
246	Bongabon, Nueva Ecija	Branch-Lite Unit	#5 Bgy. Mantile, Bongabon, Nueva Ecija
247	Science City of Munoz, Nueva Ecija	Branch-Lite Unit	Poblacion East, City of Science of Munoz, Nueva Ecija
248	Carmen, Bohol	Branch-Lite Unit	Poblacion Sur, Carmen, Bohol
249	Pilar, Sorsogon	Branch-Lite Unit	Cor. Milleza St., Main Road and Prieto St., Poblacion, Dao, Pilar, Sorsogon
250	Gerona, Tarlac	Branch-Lite Unit	Poblacion 1, Gerona, Tarlac
251	San Mateo, Isabela	Branch-Lite Unit	Barangay 1, Purok 3, National Highway, San Mateo, Isabela
252	Mambajao, Camiguin	Branch-Lite Unit	J.P. Rizal St., Poblacion, Mambajao, Camiguin
253	Infanta, Quezon	Branch-Lite Unit	Rizal Street, Poblacion 1, Infanta, Quezon
254	Lebak, Sultan Kudarat	Branch-Lite Unit	Door #7 Dimar's Building, Poblacion 1, Lebak, Sultan Kudarat
255	Kapatagan, Lanao Del Norte	Branch-Lite Unit	Prince Hypermart, Poblacion, Kapatagan, Lanao del Norte
256	Calamba, Misamis Occidental	Branch-Lite Unit	Matunog St., Southwestern Poblacion, Calamba, Misamis Occidental
257	Liloy, Zamboanga Del Norte	Branch-Lite Unit	Baybay, Liloy, Zamboanga del Norte
258	San Miguel, Zamboanga Del Sur	Branch-Lite Unit	Purok Meliton, Poblacion, San Miguel, Zamboanga del Sur
259	Zarraga, Iloilo	Branch-Lite Unit	Gomez St., Barangay Poblacion, Ilaud, Zarraga, Iloilo
260	Carigara, Leyte	Branch-Lite Unit	Real St., Brgy. Baybay, Carigara, Leyte
261	Sablayan, Occidental Mindoro	Branch-Lite Unit	National Highway, Brgy. Buenavista, Sablayan, Occidental Mindoro
262	Roxas, Oriental Mindoro	Branch-Lite Unit	SMH Bldg., Morente Ave., Bagumbayan, Roxas, Oriental Mindoro
263	Lala, Lanao Del Norte	Branch-Lite Unit	1 TMD Commercial Bldg., Purok Apitong, Villanueva, Lala, Lanao del Norte
264	Libmanan, Camarines Sur	Branch-Lite Unit	Nik Nok Farm Realty Corp. Palo St., Poblacion, Libmanan, Camarines Sur
265	Talibon, Bohol	Branch-Lite Unit	CPG Avenue, Poblacion, Talibon, Bohol
266	Tubigon, Bohol	Branch-Lite Unit	Centro, Tubigon, Bohol
267	Moncada, Tarlac	Branch-Lite Unit	Poblacion 1, Moncada, Tarlac
268	Guiuan, Eastern Samar	Branch-Lite Unit	Concepcion St., Brgy. 7, Guiuan, Eastern Samar
269	Taytay, Rizal	Branch-Lite Unit	Unit 9 & 10 Leoncio Commercial, National Road, Brgy. San Juan, Taytay, Rizal
270	Bolinao, Pangasinan	Branch-Lite Unit	Don Agustin Cacho St., Concordia Poblacion, Bolinao, Pangasinan
271	Alubijid, Misamis Oriental	Branch-Lite Unit	National Highway, Purok 2, Poblacion, Alubijid, Misamis Oriental
272	Batac, Ilocos Norte	Branch-Lite Unit	Washington St., Brgy. 2 Ablan, Batac City, Ilocos Norte
273	Montevista, Davao De Oro	Branch-Lite Unit	1022 Valderama St., Purok 6A, Poblacion, Montevista, Compostela Valley
274	Narra, Palawan	Branch-Lite Unit	National Highway, Panacan 2, Narra, Palawan
275	Banate, Iloilo	Branch-Lite Unit	Union St., Brgy. Bularan, Banate, Iloilo
276	Santa Rosa, Nueva Ecija	Branch-Lite Unit	328 Bgy. Cojuangco. Sta. Rosa, Nueva Ecija
277	Cabiao, Nueva Ecija	Branch-Lite Unit	#15 San Juan South, Cabiao, Nueva Ecija
278	Argao, Cebu	Branch-Lite Unit	Albarracin St., Poblacion, Argao, Cebu
279	Tuburan, Cebu	Branch-Lite Unit	National Highway, Brgy. 3 Tuburan, Cebu
280	Orani, Bataan	Branch-Lite Unit	National Highway, Bgy. Mulawin, Orani, Bataan

	Location	Branch Type	Address
281	Camiling, Tarlac	Branch-Lite Unit	Quezon Ave., Poblacion I, Camiling, Tarlac
282	Sogod, Southern Leyte	Branch-Lite Unit	L. Regis St., Zone 5, Sogod, Southern Leyte
283	Naval, Biliran	Branch-Lite Unit	BZL Building, Vicentillo St., Smo, Rosario, Naval, Biliran
284	Mangatarem, Pangasinan	Branch-Lite Unit	#30 Burgos St., Poblacion, Mangatarem, Pangasinan
285	Bayombong, Nueva Vizcaya	Branch-Lite Unit	Galamay Bldg., National Road, Poblacion, District IV, Bayombong, Nueva Vizcaya
286	Santa Maria, Ilocos Sur	Branch-Lite Unit	Poblacion Sur, Sta. Maria, Ilocos Sur
287	Malungon, Sarangani	Branch-Lite Unit	Purok Waling Waling, National Highway, Malandag, Malungon, Sarangani Province
288	Isulan, Sultan Kudarat	Branch-Lite Unit	National Highway, Kalawag 3, Isulan, Sultan Kudarat
289	Odiongan, Romblon	Branch-Lite Unit	J.P. Laurel St., Cocoville, Dapawan, Odiongan, Romblon
290	Culasi, Antique	Branch-Lite Unit	National Highway, Centro Poblacion, Culasi, Antique
291	Pontevedra, Capiz	Branch-Lite Unit	Isagani St., Poblacion, Ilawod, Pontevedra, Capiz
292	Mambusao, Capiz	Branch-Lite Unit	Villareal Highway, Poblacion, Mambusao, Capiz
293	Cataingan, Masbate	Branch-Lite Unit	Quezon Extension, Poblacion, Cataingan, Masbate
294	Moalboal, Cebu	Branch-Lite Unit	2nd Floor Gaisano Grand Mall, Poblacion East, Moalboal, Cebu
295	Indang, Cavite	Branch-Lite Unit	A. Mabini St., Poblacion 1, Indang, Cavite
296	Cabuyao, Laguna	Branch-Lite Unit	Unit 1112 Sala Commercial Bldg., National Highway, Brgy. Sala, Cabuyao, Laguna
297	Nagcarlan, Laguna	Branch-Lite Unit	General Luna St., Bgy. 1, Nagcarlan, Laguna
298	Mamburao, Occidental Mindoro	Branch-Lite Unit	Rizal St. Corner Mercene St. Bgy. 3, Mamburao, Occidental Mindoro
299	Victoria, Oriental Mindoro	Branch-Lite Unit	National Highway, Poblacion 1, Victoria, Oriental Mindoro
300	Malay, Aklan	Branch-Lite Unit	National Road, Caticlan, Malay, Aklan
301	San Juan, Ilocos Sur	Branch-Lite Unit	EJGS Commercial Building, Brgy. Bannuar San Juan, Ilocos Sur
302	Umingan, Pangasinan	Branch-Lite Unit	#3 Zamora St., Poblacion West, Umingan, Pangasinan
303	Gattaran, Cagayan	Branch-Lite Unit	National Highway Centro Sur Gattaran, Cagayan
304	Tabuk, Kalinga	Branch-Lite Unit	Purok 1, Bulanao, Tabuk City, Kalinga
305	Infanta, Pangasinan	Branch-Lite Unit	2nd Floor National Highway, Brgy. Poblacion Infanta Pangasinan
306	Limay, Bataan	Branch-Lite Unit	2F Charis Building., Donna Ave. Brgy. Reformista, Limay Bataan
307	Panglao Bohol	Branch-Lite Unit	P-7 Tawala, Panglao, Bohol
308	Bocaue, Bulacan	Branch-Lite Unit	National Highway, Brgy. Lolomboy, Bocaue, Bulacan
309	Coron, Palawan	Branch-Lite Unit	National Highway, Brgy. 5, Coron, Palawan
310	Nasipit, Agusan del Norte	Branch-Lite Unit	Arcadia Business Center, Brgy. Triangulo, Nasipit Agusan del Norte
311	Cantilan, Surigao del Sur	Branch-Lite Unit	Purok 6, Lininti-an, Cantilan, Surigao del Sur
312	Linamon, Lanao del Norte	Branch-Lite Unit	Purok 5A, Poblacion, Linamon, Lanao del Norte
313	Sipocot, Camarines Sur	Branch-Lite Unit	San Juan Avenue, South Centro, Sipocot, Camarines Sur
314	Panganiban, Catanduanes	Branch-Lite Unit	Sta. Maria, Panganiban, Catanduanes
315	Isabel, Leyte	Branch-Lite Unit	Osmena Street, Brgy. Sto. Nino (Pob.), Isabel, Leyte
316	La Carlota, Negros Occidental	Branch-Lite Unit	Prince Hypermart, Yunque St., Brgy II Poblacion (Commercial), La Carlota City, Negros Occidental
317	Cuartero, Capiz	Branch-Lite Unit	Brgy. Poblacion Takas, Cuartero, Capiz
318	Bontoc, Mt. Province	Branch-Lite Unit	Basilan Bldg. Brgy. Bontoc Ili, Bontoc, Mountain Province
319	Mendez, Cavite	Branch-Lite Unit	J. P. Rizal St., Brgy. Galicia III, Mendez, Cavite
320	Kapalong, Davao Del Norte	Branch-Lite Unit	L24 B1 Villa Clemente Subdivision, Maniki, Kapalong, Davao del Norte
321	Malita, Davao Occidental	Branch-Lite Unit	M. Maruya St., Poblacion, Malita, Davao Occidental
322	Claver, Surigao Del Norte	Branch-Lite Unit	Rizal St., P5, Bagakay, Claver, Surigao del Norte
323	Antipas, North Cotabato	Branch-Lite Unit	Esterlin Building F. Cajelo St., Poblacion, Antipas, North Cotbato
324	Kiamba, Sarangani	Branch-Lite Unit	Stall No. 26 & 27, General Merchandise Section, Public Market, Brgy. Poblacion, Kiamba, Sarangani
325	San Jose, Dinagat Islands, Dinagat Islands	Branch-Lite Unit	P-6, Mahayahay, San Jose, Dinagat Islands
326	Manay, Davao Oriental	Branch-Lite Unit	Burgos Building, Purok 5, Brgy. Central, Manay, Davao Oriental
327	Altavas, Aklan	Branch-Lite Unit	Adfam Commercial Building BonifacioSt., Poblacion, Altavas, Aklan
328	Bugasong, Antique	Branch-Lite Unit	Bgy. Centro Pojo, Bugasong, Antique
329	Cateel, Davao Oriental	Branch-Lite Unit	Kapt. E. Toroba St., Brgy. Poblacion, Cateel, Davao Oriental
330	Glan, Sarangani	Branch-Lite Unit	E.D. Yap Sr. St., Brgy. Poblacion, Glan, Sarangani Province
331	Tanauan, Leyte, Leyte	Branch-Lite Unit	Canramos, Tanauan, Leyte
332	San Juan, SL, Southern Leyte	Branch-Lite Unit	Brgy. San Jose, San Juan, Southern Leyte
333	Las Pinas, NCR	Branch-Lite Unit	388 Alabang-Zapote Rd, Talon 1, Las Pinas City
334	Baggao, Cagayan	Branch-Lite Unit	San Jose, Baggao, Cagayan
335	Conner, Apayao	Branch-Lite Unit	Malama, Conner, Apayao
336	Dapitan, Zamboanga Del Norte	Branch-Lite Unit	197 Sunset Blvd., Bagting, Dapitan City, Zamboanga del Norte
337	Lagawe, Ifugao	Branch-Lite Unit	Bogbog Bldg. Lumingay St. Pob. North, Lagawe, Ifugao
338	Dumalinao, Zamboanga Del Sur	Branch-Lite Unit	Brgy. Pag-asa (Poblacion), Dumalinao, Zamboanga del Sur
339	Oslob, Cebu	Branch-Lite Unit	OSB-GFS-17,18&21, Ground Floor Gaisano Grand Oslob Bgy. Lagundi, Oslob, Cebu
340	Sara, Iloilo	Branch-Lite Unit	Don Victorino St., Bgy. Poblacion Ilawod, Sara, Iloilo
341	Balingasag, Misamis Oriental	Branch-Lite Unit	Gaisano Capital Balingasag Bgy. Linggangao, Balingasag, Misamis Oriental
342	Dinalupihan, Bataan	Branch-Lite Unit	Brgy. San Ramon Highway, Dinalupihan, Bataan
343	Dapa, Surigao Del Norte	Branch-Lite Unit	Sto. Niño St. corner Gomez St., Bgy. Once, Dapa, Surigao del Norte
344	Mexico, Pampanga	Branch-Lite Unit	Primark Center, Parian, Mexico, Pampanga
345	Malabon, NCR	Branch-Lite Unit	34 Governor Pascual Ave., Bgy. Acacia, Malabon City
346	Valenzuela, NCR	Branch-Lite Unit	247 Mc Arthur Highway, Karuhatan, Valenzuela City
347	Navotas, NCR	Branch-Lite Unit	Puregold Navotas, 904 Naval St., Brgy. Sipac Almacen Navotas City
348	Novaliches, NCR	Branch-Lite Unit	Unit 3 1004 Quirino Highway, Bgy. Sta. Monica, Novaliches, Quezon City

CORPORATE INFORMATION

BPI Direct BanKo, Inc., A Savings Bank
BanKo Center
220 Ortigas Avenue, North Greenhills,
San Juan City 1503
(632) 7754-9980
www.banko.com.ph

Customer Inquiries
(632) 8819-6728

Email
Banko_ContactCenter@bpi.com.ph

Facebook Page
www.facebook/magbankona

BanKo is regulated by the Bangko Sentral ng Pilipinas
https://www.bsp.gov.ph

BPI Direct BanKo, Inc., A Savings Bank

Financial Statements
As at and for the years ended December 31, 2023 and 2022

Independent Auditor's Report

To the Board of Directors and Shareholder of
BPI Direct BanKo, Inc., A Savings Bank
220 Ortigas Avenue, BanKO Center
North Greenhills, San Juan City
Metro Manila

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BPI Direct BanKo, Inc., A Savings Bank (the "Bank") as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

What we have audited

The financial statements of the Bank comprise:

- the statements of condition as at December 31, 2023 and 2022;
- the statements of income for the years ended December 31, 2023 and 2022;
- the statements of total comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in capital funds for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Other Information

Management is responsible for other information. The other information comprises the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 in Note 24 and Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010 in Note 25 to the financial statements is presented for the purposes of filing with the BSP and BIR, respectively, and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management of the Bank. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

John John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 12, 2024, Makati City
T.I.N. 112-071-386
BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 27, 2024

BPI Direct BanKo, Inc., A Savings Bank

Statements of Condition
December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
RESOURCES			
Cash and other cash items	2	386,079,377	250,147,358
Due from other banks	2	3,218,312,911	767,097,024
Interbank loans receivable and securities purchased under agreement to resell	2,3	3,196,962,969	135,594,884
Due from Bangko Sentral ng Pilipinas	2,4	7,372,891,154	4,334,661,084
Investment security at fair value through other comprehensive income	5	7,548	14,939
Loans and advances, net	6	27,696,336,887	15,679,134,887
Assets held for sale		68,525,646	77,880,288
Bank premises, furniture, fixtures and equipment, net	7	616,464,545	496,808,502
Deferred income tax assets, net	8	687,752,072	490,516,905
Other resources, net	9	307,000,733	216,515,286
Total resources		43,550,333,842	22,448,371,157
LIABILITIES AND CAPITAL FUNDS			
Deposit liabilities	10	35,012,013,081	16,792,441,424
Accrued taxes, interest and other expenses	11	975,292,080	345,969,454
Other liabilities	12	2,108,999,974	1,129,339,083
Total liabilities		38,096,305,135	18,267,749,961
CAPITAL FUNDS	13		
Share capital		1,405,572,100	1,405,572,100
Accumulated other comprehensive loss		(47,463,086)	(29,772,580)
Other reserves		(269,815,403)	(269,815,403)
Surplus		4,365,735,096	3,074,637,079
Total capital funds		5,454,028,707	4,180,621,196
Total liabilities and capital funds		43,550,333,842	22,448,371,157

(The notes on pages 1 to 50 are an integral part of these financial statements.)

BPI Direct BanKo, Inc., A Savings Bank
(Formerly BPI Direct Savings Bank, Inc.)

Statements of Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
INTEREST INCOME			
Loans and advances	6	6,489,309,948	3,974,308,405
Deposits with BSP and other banks	2,4	263,066,385	56,409,435
Interbank loans receivable	3	109,730,642	13,739,745
		6,862,106,975	4,044,457,585
INTEREST EXPENSE ON DEPOSITS	10	1,009,259,455	86,929,058
NET INTEREST INCOME		5,852,847,520	3,957,528,527
PROVISION FOR IMPAIRMENT	21	1,790,745,047	702,356,232
NET INCOME AFTER PROVISION FOR IMPAIRMENT		4,062,102,473	3,255,172,295
OTHER INCOME			
Service fee income		761,272,945	526,085,439
Profit on assets sold		8,112,967	7,484,831
Miscellaneous income	14	93,085,952	123,814,886
		862,471,864	657,385,156
OTHER EXPENSES			
Compensation and fringe benefits		1,268,585,222	984,514,746
Occupancy and equipment-related expenses	16	1,115,619,486	983,805,225
Other operating expenses	15	842,297,835	635,624,168
		3,226,502,543	2,603,944,139
INCOME BEFORE PROVISION FOR INCOME TAX		1,698,071,794	1,308,613,312
PROVISION FOR INCOME TAX	17		
Current		593,534,411	327,101,725
Deferred	8	(186,560,634)	3,092,294
		406,973,777	330,194,019
NET INCOME FOR THE YEAR		1,291,098,017	978,419,293

(The notes on pages 1 to 50 are an integral part of these financial statements.)

BPI Direct BanKo, Inc., A Savings Bank

Statements of Total Comprehensive Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Note	2023	2022
NET INCOME FOR THE YEAR		1,291,098,017	978,419,293
OTHER COMPREHENSIVE LOSS	13		
Items that will not be subsequently reclassified to profit or loss			
Change in fair value reserve on equity securities at fair value through other comprehensive income, net of tax		(7,391)	(2,184)
Remeasurement loss on retirement benefit obligation, net of tax		(17,683,115)	(618,651)
Total other comprehensive loss		(17,690,506)	(620,835)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,273,407,511	977,798,458

(The notes on pages 1 to 50 are an integral part of the financial statements.)

BPI Direct BanKo, Inc., A Savings Bank

Statements of Changes in Capital Funds
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Share capital (Note 13)	Accumulated other comprehensive loss (Note 13)	Other reserves (Note 13)	Surplus (Note 13)	Total
BALANCE, JANUARY 1, 2022	1,405,572,100	(29,151,745)	(269,815,403)	2,096,217,786	3,202,822,738
COMPREHENSIVE INCOME					
Net income for the year	-	-	-	978,419,293	978,419,293
Other comprehensive loss	-	(620,835)	-	-	(620,835)
Total comprehensive income for the year	-	(620,835)	-	978,419,293	977,798,458
BALANCE, DECEMBER 31, 2022	1,405,572,100	(29,772,580)	(269,815,403)	3,074,637,079	4,180,621,196
COMPREHENSIVE INCOME					
Net income (loss) for the year	-		-	1,291,098,017	1,291,098,017
Other comprehensive loss	-	(17,690,506)	-	-	(17,690,506)
Total comprehensive income for the year	-	(17,690,506)	-	1,291,098,017	1,273,407,511
BALANCE, DECEMBER 31, 2023	1,405,572,100	(47,463,086)	(269,815,403)	4,365,735,096	5,454,028,707

(The notes on pages 1 to 50 are an integral part of the financial statements.)

BPI Direct BanKo, Inc., A Savings Bank

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before provision for income tax		1,698,041,347	1,308,613,312
Adjustments for:			
Interest income		(6,862,106,975)	(4,044,457,585)
Interest expense on deposit and lease liabilities	10,20	1,032,531,488	104,526,498
Depreciation and amortization	7	287,762,189	324,963,708
Amortization of computer software and intangible assets		1,986,842	1,899,758
Profit on assets sold		(7,513,947)	(7,484,831)
Retirement benefit expense	18	15,616,759	22,443,240
Provision for impairment	6,9,21	1,790,775,494	702,356,232
Interest received		6,488,172,099	3,892,925,729
Interest paid		(560,677,005)	(85,808,182)
Operating income before changes in operating assets and liabilities		3,884,588,291	2,219,977,879
(Increase) decrease in:			
Loans and advances		(13,423,586,991)	(5,258,769,789)
Assets held for sale		16,413,190	19,271,227
Other resources		(109,626,492)	39,543,660
Increase in:			
Deposit liabilities		18,219,571,657	2,515,206,109
Accrued taxes, interest and other expenses		107,147,516	257,045,498
Other liabilities		872,500,169	320,704,343
Net cash from operations		9,567,007,340	112,978,927
Retirement plan contributions	18	(36,789,985)	(23,947,095)
Income tax paid		(543,376,886)	(480,017,613)
Net cash from (used in) operating activities		8,986,840,469	(390,985,781)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of bank premises, furniture, fixture, and equipment	7	(166,511,401)	(48,007,563)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	20	(133,583,007)	(140,383,071)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		8,686,746,061	(579,376,415)
CASH AND CASH EQUIVALENTS			
January 1		5,487,500,350	6,066,876,765
December 31	2	14,174,246,411	5,487,500,350

(The notes on pages 1 to 50 are an integral part of these financial statements.)

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 General information

1.1 Business information

BPI Direct BanKo, Inc., A Savings Bank (the "Bank") was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on March 17, 1956 primarily to engage in and carry on the general business of savings and mortgage banking.

The Bank is a wholly-owned subsidiary of Bank of the Philippine Islands ("BPI" or the "Parent Bank"), a domestic commercial bank with an expanded banking license, which is also its ultimate parent.

The Bank's registered office address, which is also its principal place of business, is 220 Ortigas Avenue, BanKO Center, North Greenhills, San Juan City, Metro Manila.

The Bank has 2,915 regular employees as at December 31, 2023 (2022 - 2,376).

1.2 Approval of the Bank's financial statements

These financial statements have been approved and authorized for issuance by the Board of Directors (BOD) on March 21, 2024. There are no material events that occurred subsequent to March 21, 2024 until March 27, 2024.

2 Cash and cash equivalents

The account as at December 31 consists of:

	Notes	2023	2022
Cash and other cash items		386,079,377	250,147,358
Due from other banks		3,218,312,911	767,097,024
Interbank loans receivable and securities purchased under agreement to resell (SPAR)	3	3,196,962,969	135,594,884
Due from Bangko Sentral ng Pilipinas (BSP)	4	7,372,891,154	4,334,661,084
		14,174,246,411	5,487,500,350

Due from other banks represent demand deposits which are due on demand. Demand deposits earn annual interest of 0.05% to 0.0625% in 2023 (2022 - 0.10% to 0.0625%). Interest earned from due from other banks for the year ended December 31, 2023 amounts to P2,621,970 (2022 - P1,124,301).

Cash and cash equivalents are classified as current as at December 31, 2023 and 2022.

3 Interbank loans receivable and SPAR

The account at December 31, 2023 consists of government securities under reverse repurchase agreement with the BSP amounting to P3,196,962,969 (2022 - P135,594,884).

Interest rate on interbank loans receivable and SPAR in 2023 is 6.39% (2022 - 5.50%). For the year ended, December 31, 2023, the total interest earned on interbank loans receivable and SPAR amounts to P109,730,642 (2022 - P13,739,745).

Interbank loans receivable and SPAR is classified as current.

4 Due from BSP

The account as at December 31 consists of:

	2023	2022
Special deposit accounts	6,000,000,000	2,849,000,000
Clearing accounts	1,372,891,154	1,485,661,084
	7,372,891,154	4,334,661,084

Special deposit accounts classified as cash equivalents are fixed-term demand Philippine Peso deposits maintained mainly for liquidity purposes and in compliance with the simplified minimum reserve requirements of the BSP (Note 10).

Clearing accounts represent temporary deposit accounts wherein funds flow from cleared checks are credited against or debited for.

As at December 31, 2023, the special deposit placements have maturities of not more than 28 days and carries an average interest rate of 6.65% (2022 - 6.16%). For the year ended December 31, 2023, the total interest earned on due from BSP amounts to P260,444,415 (2022 - P55,285,134).

Due from BSP is classified as current as at December 31, 2023 and 2022.

5 Investment security at fair value through other comprehensive income (FVOCI)

The account consists of listed equity security which amounts to P7,548 as at December 31, 2023 (2022 - P14,939).

Movements in investment security at FVOCI for the years ended December 31 are as follows:

	2023	2022
At January 1	14,939	17,123
Fair value adjustment	(7,391)	(2,184)
At December 31	7,548	14,939

Investment security at FVOCI as at December 31, 2023 and 2022 is classified as current.

6 Loans and advances, net

The account as at December 31 consists of:

	2023	2022
Retail customers		
Real estate mortgagers	1,174,152,190	1,275,017,499
Auto loans	336,859	368,324
Personal loans	18,643,195,579	9,035,675,996
Manpower/Microfinance loans	9,507,502,908	6,657,958,932
Corporate entities		
Large corporate customers	40,489,706	58,246,232
Small and medium enterprises	5,136,569	7,252,624
	29,370,813,811	17,034,519,607
Accrued interest receivable	913,795,910	543,880,208
Unearned discount	(54,475)	(54,475)
	30,284,555,246	17,578,345,340
Allowance for impairment	(2,588,218,359)	(1,899,210,453)
	27,696,336,887	15,679,134,887

The effective interest rate on loans and advances ranges from 1.25% to 55.32% for the year ended December 31, 2023 (2022 - 1.25% to 55.32%). Interest income from loans and advances amounts to P6,489,309,948 for the year ended December 31, 2023 (2022 - P3,974,308,405).

Maturity profile of loans and advances, net of accrued interest receivable and unearned discount, as at December 31 follows:

	2023	2022
Current (within 12 months)	10,347,310,959	8,500,364,660
Non-current (over 12 months)	19,937,244,287	9,077,980,680
	30,284,555,246	17,578,345,340

Movements in allowance for impairment for the years ended December 31 are as follows:

	2023	2022
Balance, January 1	1,899,210,453	1,888,047,381
Provision for impairment	1,776,300,693	696,846,189
Write-offs	(1,084,426,255)	(684,478,998)
Transfers/other movements	(2,866,532)	(1,204,119)
Balance, December 31	2,588,218,359	1,899,210,453

In 2023, the Bank purchased personal loan portfolio of its Parent Bank amounting to P17,532,151,256 (2022 - P3,623,586,925) presented as part of personal loans above.

7 Bank premises, furniture, fixtures and equipment, net

The movements in the account for the years ended December 31 are summarized as follows:

	2023					
	Furniture, fixtures, and equipment	Leasehold rights and improvement	Computer equipment	Leasehold rights and improvements in progress	Buildings	Total
Cost						
January 1, 2023	496,339,573	732,913,512	58,416,752	11,745,784	728,663,615	2,028,079,236
Additions	53,928,625	109,392,539	1,949,020	1,241,217	240,906,831	407,418,232
Pre-termination	-	-	-	-	-	-
December 31, 2023	550,268,198	842,306,051	60,365,772	12,987,001	969,570,446	2,435,497,468
Accumulated depreciation and amortization						
January 1, 2023	446,752,370	570,983,207	51,892,610	-	461,642,547	1,531,270,734
Depreciation and amortization	41,717,989	102,427,593	6,348,949	-	137,267,658	287,762,189
Pre-termination	-	-	-	-	-	-
December 31, 2023	488,470,359	673,410,800	58,241,559	-	598,910,205	1,819,032,923
Net book value, December 31, 2023	61,797,839	168,895,251	2,124,213	12,987,001	370,660,241	616,464,545

	2022					
	Furniture, fixtures, and equipment	Leasehold rights and improvement	Computer equipment	Leasehold rights and improvements in progress	Buildings	Total
Cost						
January 1, 2022	483,501,301	711,705,546	56,413,600	-	553,637,270	1,805,257,717
Additions	13,050,661	21,207,966	2,003,152	11,745,784	179,111,487	227,119,050
Pre-termination	(212,389)	-	-	-	(4,085,142)	(4,297,531)
December 31, 2022	496,339,573	732,913,512	58,416,752	11,745,784	728,663,615	2,028,079,236
Accumulated depreciation and amortization						
January 1, 2022	378,524,617	444,285,657	45,807,422	-	338,354,681	1,206,972,377
Depreciation and amortization	68,440,042	126,697,550	6,085,188	-	123,740,928	324,963,708
Pre-termination	(212,289)	-	-	-	(453,062)	(665,351)
December 31, 2022	446,752,370	570,983,207	51,892,610	-	461,642,547	1,531,270,734
Net book value, December 31, 2022	49,587,203	161,930,305	6,524,142	11,745,784	267,021,068	496,808,502

The Bank recognized right-of-use assets from the long-term leases of spaces for its main office and branches presented as part of Buildings above. (Note 20).

Depreciation and amortization is included in Occupancy and equipment-related expenses in the statement of income (Note 16).

Bank premises, furniture, fixtures and equipment are all considered non-current assets.

Critical accounting estimate - Useful lives of bank premises, furniture, fixtures and equipment

The Bank determines the estimated useful lives of its bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use. The Bank annually reviews the estimated useful lives of bank premises, furniture, fixtures and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the carrying values of bank premises, furniture, fixtures and equipment.

8 Deferred income tax assets, net

Deferred income tax assets and liabilities at December 31 consist of:

	2023	2022
Deferred income tax assets		
Allowance for impairment	654,936,745	479,104,440
Expense accruals and provisions	8,581,335	12,671,005
Amortization of past service cost	24,233,992	20,472,887
	687,752,072	512,248,332
Deferred income tax liability		
Retirement benefit asset	-	21,731,427
Deferred income tax assets, net	687,752,072	490,516,905

Movements in the net deferred income tax assets for the years ended December 31 are summarized below:

	2023	2022
At January 1	490,516,905	505,013,516
Amounts credited (charged) to statement of income	186,560,634	(3,092,294)
Amounts charged to other comprehensive income	10,674,533	(11,404,317)
At December 31	687,752,072	490,516,905

The deferred tax (benefit) expense in the statement of income for the years ended December 31 comprises the following temporary differences:

	2023	2022
Allowance for impairment	(175,832,304)	(3,996,773)
Others	(10,728,330)	7,089,067
	(186,560,634)	3,092,294

Critical accounting judgement - Realization of deferred income tax assets

Management reviews at each reporting date the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax losses will be applied. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized.

9 Other resources, net

The account at December 31 consists of:

	Note	2023	2022
Injunction bond		155,920,192	44,111,052
Accounts receivable		38,244,931	22,958,088
Rental deposits		36,630,073	33,383,616
Pension asset	18	30,335,780	27,321,996
Prepaid expenses		24,754,919	34,838,920
Accrued interest receivable		5,547,365	1,528,191
Computer software		3,065,521	2,909,569
Membership shares		2,500,000	2,500,000
Miscellaneous		38,156,450	62,586,283
		335,155,231	232,137,715
Allowance for impairment		(28,154,498)	(15,622,429)
		307,000,733	216,515,286

Other resources are expected to be realized as follows:

	2023	2022
Current	299,253,930	199,406,151
Non-current	35,901,301	32,731,564
	335,155,231	232,137,715

Injunction bond mainly pertains to the revolving fund covering transactions with a payment partner and other online transactions.

Accounts receivables mainly include employee cash advances, commissions and other receivables.

Miscellaneous assets include returned checks and float items which are expected to clear within seven days.

Allowance for impairment pertains to accounts receivables that are doubtful of collection.

The movements in the allowance for impairment as at December 31 are as follows:

	2023	2022
At January 1	15,622,429	11,130,941
Provision for impairment	13,988,955	4,491,488
Write-off	(1,456,886)	-
At December 31	28,154,498	15,622,429

10 Deposit liabilities

The account as at December 31 consists of:

	2023	2022
Demand	443,893,734	512,886,649
Savings	11,717,457,576	12,464,620,234
Time	22,850,661,771	3,814,934,541
	35,012,013,081	16,792,441,424

Deposit liabilities are expected to be settled as follows:

	2023	2022
Current	28,083,183,067	10,404,759,764
Non-current	6,928,830,014	6,387,681,660
	35,012,013,081	16,792,441,424

Related interest expense on deposit liabilities for the years ended December 31 is broken down as follows:

	2023	2022
Demand	291,426	319,820
Savings	49,878,157	61,260,369
Time	959,089,872	25,348,869
	1,009,259,455	86,929,058

In 2023, the interest rate on savings and demand deposit ranges from 0.063% to 5.00% (2022 - 0.063% to 5.00%) and interest rate on regular and special time deposit ranges from 0.25% to 6.75% (2022 - 0.25% to 6.25%).

BSP reserve requirement

Under current and existing BSP regulations, the Bank should comply with a minimum reserve requirement. Further, it is required that all reserves must be set aside in deposits with the BSP.

In 2020, the reserve ratio decreased to 3% from 4% following the BSP's decision to reduce the requirements. In 2023, the BSP approved further reduction in reserves which brought the requirement from 3% down to 2% effective June 30, 2023 by virtue of BSP Circular No.1175. These rates continue to be consistent throughout 2023.

The required reserve as reported to BSP as at December 31, 2023 amounts to P697,330,169 (2022 - P486,830,544), which is included in Due from BSP (Note 4). The Bank is in full compliance with the reserve requirement as at December 31, 2023 and 2022.

11 Accrued taxes, interest and other expenses

The account as at December 31 consists of:

	2023	2022
Accrued expenses	191,399,592	142,601,747
Accrued income tax	278,464,890	171,109,462
Accrued taxes and licenses	1,503,723	351,955
Accrued interest on deposits	503,923,875	31,906,290
	975,292,080	345,969,454

Accrued expenses mainly pertain to accruals for utilities, penalties and outsourced services by the Bank.

The above accrued expenses are all considered current.

12 Other liabilities

The account at December 31 consists of:

	Note	2023	2022
Accounts payable		1,613,647,008	805,587,216
Lease liabilities	20	384,131,246	284,416,142
Withholding taxes payable		28,194,696	5,517,507
Miscellaneous		83,027,024	33,818,218
		2,108,999,974	1,129,339,083

The lease liabilities are measured at the present value of the remaining lease payments using an incremental borrowing rate applied by the Bank (Note 20).

Miscellaneous liabilities mainly include mandatory contributions payable to SSS, Medicare and Philhealth, and float items which are expected to clear within seven days.

Other liabilities are considered current, except for the non-current portion of the lease liabilities disclosed in Note 20.

13 Capital funds

Details of share capital at December 31, 2023 and 2022 are as follows:

	Authorized		Issued and outstanding	
	Number of shares	Amount	Number of shares	Amount
Common shares, at P100 par value per share				
Class A	37,400,000	3,740,000,000	13,455,721	1,345,572,100
Class B	2,000,000	200,000,000	600,000	60,000,000
	39,400,000	3,940,000,000	14,055,721	1,405,572,100
Preferred shares, at P100 par value per share, 12% cumulative, participating and redeemable				
Class A	200,000	20,000,000	-	-
Class B	400,000	40,000,000	-	-
	600,000	60,000,000	-	-
	40,000,000	4,000,000,000	14,055,721	1,405,572,100

The Class A (common and preferred) shares are available only to Philippine nationals while the Class B (common and preferred) shares may be issued to non-Filipinos. The Bank, at its option, may redeem the preferred shares after ten years from issue date.

On December 29, 2020, the SEC approved the Bank's increase in authorized capital stock from P470 million in 2019 to P4 billion in 2020. On September 30, 2020, the Bank received P500 million from the Parent Bank as a capital infusion to strengthen the Bank's capital position against the economic effects of the COVID-19 pandemic.

In March 2021, the Bank received additional capital infusion from the Parent Bank amounting to P500 million to assist on its capital requirements. The said capital infusion has been duly approved by the BSP.

Surplus

As at December 31, 2023, the Bank has surplus in excess of its paid-up capital amounting to P2,960,162,996 (2022 - P1,669,064,979). On January 24, 2024, the BOD approved the Bank’s medium-term plan for business expansion to new geographic territories with opening of additional branches and branch-lite units (BLUs), launch of new product lines, and digitalization of the Bank’s end process through introduction of a new application.

Other comprehensive income

The movements in the account for the years ended December 31 are summarized below:

	2023	2022
Fair value reserve on investment securities at FVOCI		
At January 1	(1,473)	711
Unrealized fair value loss before tax	(7,391)	(2,184)
Deferred income tax effect	-	-
At December 31	(8,864)	(1,473)
Remeasurement loss on defined benefit plan, net		
At January 1	(29,771,107)	(29,152,456)
Remeasurement loss before tax	(28,357,648)	(824,867)
Deferred income tax effect	10,674,533	206,216
At December 31	(47,454,222)	(29,771,107)
	(47,463,086)	(29,772,580)

Other reserves

Other reserves represent the difference between the consideration given and the aggregate book value of the assets and liabilities acquired from the previous merger with BPI Globe BanKo in 2016 which is accounted for under the predecessor cost method.

14 Miscellaneous income

The account for the years ended December 31 consists of:

	2023	2022
Recoveries	43,711,280	132,798,796
Other income	56,375,923	312,006
Gross receipts tax	(7,001,251)	(9,295,916)
	93,085,952	123,814,886

Recoveries pertain to the collection of personal loans previously written-off.

Other income includes recoveries of accounts receivables previously written-off.

15 Other operating expenses

The account for the years ended December 31 consists of:

	Note	2023	2022
Shared operating costs	19	346,745,829	221,749,077
Travel and communications		126,161,727	98,098,265
Service fees		79,121,526	16,103,675
Insurance		62,178,002	55,277,140
Advertising and publicity		61,689,146	101,346,043
Stationery and supplies used		58,082,062	44,055,575
Taxes and licenses		32,465,009	26,336,485
Litigation expenses		7,710,170	3,898,231
Membership fees		5,329,400	5,993,620
Regulatory examination fees		5,162,203	4,706,098
Fines, penalties, and other charges		1,967,227	11,079,739
Others		55,685,534	46,980,220
		842,297,835	635,624,168

Other operating expenses pertain mainly to professional fees, representation and entertainment, freight expenses and other outsourced service costs.

16 Occupancy and equipment-related expenses

	Note	2023	2022
Contractual services		455,054,066	371,031,372
Depreciation and amortization	7	287,762,189	324,963,708
Repairs and maintenance		163,110,324	85,445,857
Utilities		42,022,463	40,765,459
Rent		32,242,211	29,041,664
Communication		27,761,625	44,781,733
Interest expense on lease liabilities		23,272,033	17,597,440
IT outsourced services		14,262,489	12,341,091
Shared IT cost		12,870,692	46,886,244
Taxes and licenses		734,546	1,126,285
Insurance		9,681	-
Miscellaneous expense		56,517,167	9,824,372
		1,115,619,486	983,805,225

17 Income taxes

A reconciliation between the provision for income tax at the statutory income tax rate to the actual provision for income tax for the years ended December 31 is presented below:

	2023		2022	
	Amount	%	Amount	%
Statutory income tax	424,517,949	25.00	327,153,328	25.00
Effect of items not subject to statutory tax rate				
Income subject to lower tax rates	(18,982,090)	(1.11)	(3,536,578)	(0.27)
Others	1,437,918	0.08	6,577,269	0.50
Provisions for income tax	406,973,777	23.97	330,194,019	25.23

Others mainly consist of various permanent differences and non-deductible expenses.

18 Retirement plan

The BPI and its subsidiaries (the “BPI Group”), which include the Bank, maintain both defined benefit and defined contribution retirement plans. Assets of both retirement plans are held in trust and governed by local regulations and practices in the Philippines. The key terms of these pension plans are discussed below.

a) Defined benefit retirement plan

Under this plan, the normal retirement age is 60 years. Those who elect to retire prior to the normal retirement age will require company approval, subject to meeting the eligibility conditions on age and years of credited services. Normal retirement benefit consists of a lump sum benefit equivalent to 200% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered at least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service and cash equivalent of the accrued and unused vacation and sick leave, if any, subject to the Bank’s implementing guidelines and policies. For voluntary retirement, the benefit is equivalent to 112.50% of the employee’s basic monthly salary for a minimum of 10 years of service with the rate factor progressing to a maximum of 200% of basic monthly salary for service years of 25 or more. Death or disability benefit, on the other hand, shall be the highest amount among the (1) same basis as in voluntary retirement; (2) 100% of basic monthly salary of the employee at the time of his retirement for each year of service; and (3) minimum amount required by Labor Code.

b) Defined contribution retirement plan subject to the requirements of Republic Act (RA) No. 7641

All employees hired on or after the October 1, 2016 are automatically under the new defined contribution plan. Employees hired prior to the effective date shall have the option to elect to become members of the new defined contribution plan.

Upon normal or late retirement, employees are entitled to a lump sum benefit equal to the total of the following amounts:

- The greater of the (a) updated member account balance where the Bank periodically contributes 8% of the basic monthly salary and (b) the minimum legal retirement benefit under the Labor Code; and
- The updated member account balance funded by (a) voluntary employee contribution and (b) employer matching contribution; and
- Cash equivalent of the accrued and unused vacation and sick leave, if any.

The defined contribution retirement plan has a defined benefit minimum guarantee equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

The net defined benefit cost and contributions to be paid by the entities within the BPI Group are determined by an independent actuary.

Following are the amounts recognized that relate to the Bank based on the recent actuarial valuation reports:

Defined benefit retirement plan

(a) Pension asset as at December 31 recognized under Other resources in the statement of condition follows:

	2023	2022
Fair value of plan assets	52,201,826	48,311,534
Present value of defined benefit obligation	(16,907,712)	(11,603,395)
Surplus	35,294,114	36,708,139
Effect of the asset ceiling	(4,958,334)	(9,386,143)
Pension asset recognized in the statement of condition	30,335,780	27,321,996

The movements in plan assets for the years ended December 31 are summarized as follows:

	2023	2022
At January 1	48,311,534	52,075,799
Asset return at net interest cost	3,573,461	2,590,444
Contributions	3,858,292	1,247,650
Benefits paid from plan assets	-	(2,926,550)
Remeasurement loss return on plan assets	(3,541,461)	(4,675,809)
At December 31	52,201,826	48,311,534

The carrying value of the plan assets as at December 31, 2023 is equivalent to its fair value of P52 million (2022 - P48 million).

The plan assets at December 31 are comprised of the following:

	2023		2022	
	Amount	%	Amount	%
Debt securities	31,524,060	60%	25,121,998	52%
Equity securities	15,941,446	31%	18,358,383	38%
Others	4,736,320	9%	4,831,153	10%
	52,201,826	100%	48,311,534	100%

The plan assets of the unified retirement plan include investment in BPI's common share with aggregate fair value of P2,413 million at December 31, 2023 (2022 - P489 million). An officer of the Parent Bank exercises the voting rights over the plan's investment in BPI's common shares.

The movements in the present value of defined benefit obligation for the years ended December 31 are summarized as follows:

	2023	2022
At January 1	11,603,395	13,095,439
Current service cost	4,210,788	1,630,094
Past service cost	-	163,696
Interest cost	829,643	645,605
Benefits paid from plan assets	-	(2,926,550)
Remeasurement loss (gain)		
Changes in financial assumptions	1,385,982	(1,129,797)
Changes in demographic assumptions	(5,325,329)	-
Experience adjustments	4,203,233	124,908
At December 31	16,907,712	11,603,395

The Bank has no further transactions with the plan other than the contributions for the years ended December 31, 2023 and 2022.

The retirement benefit expense recognized in the statement of income for the year ended December 31, 2023 amounts to P2,138,079 (2022 - P538,795).

The principal assumptions used for the actuarial valuations of the defined benefit plan of the Bank at December 31 are as follows:

	2023	2022
Discount rate	6.03%	7.15%
Salary increase rate	6.00%	6.00%

Discount rate

The discount rate is determined by reference to PHP Bloomberg Valuation (BVAL) rates and adjusted to reflect the term similar to the estimated term of the benefit obligation as determined by the actuary as at the end of the reporting period as there is no deep market in high quality corporate bonds in the Philippines.

Future salary rate increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding future mortality and disability experience are based on published statistics generally used for local actuarial valuation purposes.

The defined benefit plan typically exposes the Bank to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risks. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation although this will also be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Bank. However, the Bank believes that due to the long-term nature of the pension liability and the strength of the Bank itself, the mix of debt and equity securities holdings of the plan is an appropriate element of the Bank's long term strategy to manage the plan efficiently.

The Bank ensures that the investment positions are managed within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the plan. The Bank's main objective is to match assets to the defined benefit obligation by investing primarily in long-term debt securities with maturities that match the benefit payments as they fall due. The asset-liability matching is being monitored on a regular basis and potential change in investment mix is being discussed with the trustor, as necessary, to better ensure the appropriate asset-liability matching.

The average remaining service life of employees under the BPI unified retirement plan as at December 31, 2023 is 26.9 years (2022 - 27.0 years). The Bank contributes to the plan depending on the suggested funding contribution as calculated by an independent actuary. The expected contributions for the year ending December 31, 2024 for the Bank amount to P7,619,486.

The weighted average duration of the defined benefit obligation as at December 31, 2023 is 7.95 years (2022 - 7.72 years).

The projected maturity analysis of retirement benefit payments as at December 31 is as follows:

	2023	2022
Between 1 to 5 years	1,537,704	1,736,508
Between 5 to 10 years	11,698,734	11,020,253
Between 10 to 15 years	35,993,714	18,841,942
Between 15 to 20 years	81,975,204	40,242,881
Over 20 years	281,070,237	363,372,960

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions follows:

December 31, 2023	Change in assumption	Impact on defined benefit obligation Increase in assumption	 Decrease in assumption
Discount rate	1.0%	Decrease by 8.5%	Increase by 7.4%
Salary growth rate	1.0%	Increase by 8.4%	Decrease by 7.4%
December 31, 2022	**Change in assumption**	**Impact on defined benefit obligation Increase in assumption**	** Decrease in assumption**
Discount rate	1.0%	Decrease by 8.2%	Increase by 7.1%
Salary growth rate	1.0%	Increase by 8.2%	Decrease by 7.3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statement of condition.

Defined contribution retirement plan subject to the requirements of RA No. 7641

	2023	2022
Fair value of plan assets	197,412,281	158,575,093
Present value of defined benefit obligation under RA No. 7641	(22,888,759)	(59,503,334)
Deficit	174,523,522	99,071,759
Effect of asset ceiling	(174,523,522)	(99,071,759)
Pension liability recognized in the statement of condition	-	-

The movements in the present value of the defined benefit obligation for the years ended December 31 follow:

	2023	2022
At January 1	59,503,334	58,008,911
Current service cost	13,937,938	18,282,644
Past service cost	-	4,022,005
Interest cost	4,373,405	2,854,038
Benefits paid from plan assets	(9,181,676)	(7,087,565)
Transfer from plan	(243,104)	-
Remeasurement loss (gain)		
Changes in financial assumptions	3,687,797	(18,480,523)
Changes in demographic assumptions	(55,150,053)	-
Experience adjustments	5,961,118	1,903,824
At December 31	22,888,759	59,503,334

The movements in the fair value of plan assets for the years ended December 31 follow:

	2023	2022
At January 1	158,575,093	141,918,792
Asset return at net interest cost	12,144,159	7,382,608
Contributions	32,931,693	22,699,445
Benefits paid	(9,181,676)	(7,087,565)
Remeasurement gain (loss) - return on plan assets	2,943,012	(6,338,187)
At December 31	197,412,281	158,575,093

Total retirement benefit expense for the year ended December 31, 2023 under the defined contribution plan amounts to P13,478,680 (2022 - P21,904,445).

The principal assumptions used for the actuarial valuation of the defined contribution plan of the Bank at December 31 are as follows:

	2023	2022
Discount rate	6.13%	7.38%
Salary increase rate	6.00%	6.00%

The major categories of plan assets as a percentage of the fair value of total plan assets at December 31 follow:

	2023		2022	
	Amount	%	Amount	%
Debt securities	130,567,145	66%	87,216,301	55%
Equity securities	54,057,360	27%	63,430,037	40%
Others	12,787,776	7%	7,928,755	5%
	197,412,281	100%	158,575,093	100%

The asset allocation of the plan is set and reviewed from time to time by the plan trustees taking into account the membership profile, the liquidity requirements of the plan and risk appetite of the plan sponsor.

Contributions are determined on the plan provisions. The expected contributions of the Bank for the year ending December 31, 2024 amount to P40,167,748.

Critical accounting estimates - Pension liability on defined benefit plan

The Bank estimates its pension benefit obligation and expense for defined benefit pension plans based on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described above and include, among others, the discount rate and future salary increases. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation.

The present value of the defined benefit obligation of the Bank at December 31, 2023 and 2022 are determined using the market yields on Philippine government bonds with terms consistent with the expected payments of employee benefits. Plan assets are invested in either equity securities, debt securities or other forms of investments. Equity markets may experience volatility, which could affect the value of pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual results that differ from the Bank’s assumptions are reflected as remeasurements in other comprehensive income. The Bank’s assumptions are based on actual historical experience and external data regarding compensation and discount rate trends.

19 Related party transactions

In the ordinary course of business, the Bank has transactions with its directors, officers, stockholders and related interests (DOSRI) and with its Parent Bank such as cash deposit arrangements, purchase of investment securities and outsourcing of certain services, primarily loans operations, branch operations and human resource-related functions.

Significant related party transactions are summarized below:

As at and for the year ended December 31, 2023

	Transactions for the year	Outstanding balance	Terms and conditions
Deposits to:			
Parent Bank	2,298,300,740	3,038,407,772	- These are demand deposits with interest rates ranging from 0.05% to 0.0625%.
Deposits from:			
Fellow subsidiary	-	2,500,000,000	- These are time deposits with interest rates ranging from 6.25% to 6.75%.
Accounts payable:			
Parent Bank	(707,874,412)	61,353,055	- Shared operating costs, occupancy and equipment related costs and office rental - Unsecured, unguaranteed and non-interest bearing - Payable in cash at gross amount and on demand but not later than 12 months from reporting period - Refer to Notes (a), (b) and (c) below

As at and for the year ended December 31, 2022

	Transactions for the year	Outstanding balance	Terms and conditions
Deposits to:			
Parent Bank	(267,624,606)	740,107,032	- These are demand deposits with interest rates ranging from 0.66% to 1.11%.
Deposits from:			
Fellow subsidiary	2,500,000,000	2,500,000,000	- These are time deposits with interest rates ranging from 6.25% to 6.75%.
Accounts payable:			
Parent Bank	310,713,395	769,227,467	- Shared operating costs, occupancy and equipment related costs and office rental - Unsecured, unguaranteed and non-interest bearing - Payable in cash at gross amount and on demand but not later than 12 months from reporting period - Refer to Notes (a), (b) and (c) below

The aggregate amounts included in the determination of income before income tax for the years ended December 31 that resulted from transactions with each class of related parties are as follows:

	Notes	2023	2022
Interest income	2		
Parent Bank		2,230,603	1,082,881
Interest expense			
Fellow subsidiaries		96,572,287	15,941,781
Shared operating costs [Refer to Note (a) below]			
Parent Bank	15	346,745,829	221,749,077
Occupancy and equipment related costs [Refer to Note (b) below]			
Parent Bank		180,089,609	147,186,032
Office rental [Refer to Note (c) below]			
Parent Bank		8,365,990	7,812,673
Other income [Refer to Note (d) below]			
Fellow subsidiaries		4,444,148	2,469,250
Other expense [Refer to Note (e) below]			
Parent Bank		24,234,093	17,687,452
Fellow subsidiaries		28,864,412	32,825,820
		53,098,505	50,513,272
Retirement benefits		847,757	634,820
Salaries, allowances and other short-term benefits			
Key management personnel		10,650,832	10,259,443
Directors' remuneration		750,000	850,000

(a) Shared operating costs

These pertain to the Parent Bank's outsourcing of services relating to anti-money laundering services, accounting and securities administration services, loan operations, treasury operations, human resource-related functions and information systems. Shared operating costs are billed based on rate and terms agreed by the parties. The agreement remains in force unless terminated by the parties.

(b) Occupancy and equipment related costs

These pertain to the Parent Bank's services relating to shared technology costs. It is billed based on rate and terms agreed by the parties. The agreement remains in force unless terminated by the parties.

(c) Office rental

In 2017, the Bank transferred its office premise at BPI Greentop Condominium building, a property of the Parent Bank, for a lease period of 5 years from December 1, 2014 to November 30, 2019. The rent shall increase by 5% yearly starting on the second year and by 7% on the fourth year thereafter. The security deposit in relation to the lease is presented as part of Other resources, net, in the statement of condition. The lease was renewed for another 5 years with the same terms and conditions.

(d) Other income

These pertain to the fees and commission earned by the Bank through offering insurance products of related parties along with its loan products. This is presented as part of Service fee income under Other income in the statement of income.

(e) Other expense

These pertains to reimbursable expenses paid by the Parent Bank and billed to the Bank and insurance payments to related parties. This is presented as part of Other operating expenses in the statement of income.

The Bank has no DOSRI loans and loans to related parties at December 31, 2023 and 2022.

The Bank is in full compliance with the General Banking Act as at December 31, 2023 and 2022.

Personal loans were purchased from the Parent Bank to support unsecured lending system and the core business of the Bank (Note 6).

20 Other commitments and contingent liabilities

As a result of the merger that took place in 2016, the existing lease agreements by BPI Globe BanKo, Inc. prior to the merger was assumed by the Bank effective December 29, 2016. The lease term of the Bank's main office space commenced on December 1, 2014 and ended on November 30, 2019 but was renewed thereafter. Likewise, the branch office spaces have various lease agreements that are renewable under certain terms and conditions. The rent is subject to 5% to 10% escalation rate. This agreement requires the Bank to pay security deposit which is presented at Other resources, net, in the statement of condition.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes.

The balances arising from these leases are presented below:

a) Right-of-use assets and lease liabilities (PFRS 16)

The Bank has recognized right-of-use assets and lease liabilities from its long-term leases.

Details of right-of-use assets and lease liabilities at December 31 are as follows:

	Notes	2023	2022
Right-of-use assets (included in Bank premises, furniture and equipment, net under Building)	7	370,660,241	267,021,068
Lease liabilities (included in Other liabilities)	12		
Current		23,949,031	32,105,608
Non-current		360,182,215	252,310,534
		384,131,246	284,416,142

Additions to the right-of-use assets in 2023 aggregated P241 million (2022 - P179 million) (Note 7).

Movements in lease liabilities for the years ended December 31 are as follows:

	2023	2022
Balance, January 1	284,416,142	238,062,374
Additions during the year		
Lease liabilities on contracts entered	233,461,213	190,499,762
Interest accretion on lease liabilities	23,272,033	17,597,440
Pre-terminated lease	-	(3,880,928)
Payments during the year		
Principal portion of lease liabilities	(133,583,007)	(140,383,071)
Interest on lease liabilities	(23,435,135)	(17,479,435)
Balance, December 31	384,131,246	284,416,142

Total cash outflow for leases in 2023 amounted to P157.02 million (2022 - P157.9 million).

Amounts recognized under Occupancy and equipment-related expenses in the statement of income for the years ended December 31 relating to leases follow:

	2023	2022
Depreciation expense		
Building (Note 7)	137,267,658	123,740,928
Interest expense on lease liabilities	23,272,033	17,597,440
Expenses relating to low-value leases	21,238,000	17,437,212

Critical accounting estimate - Determination of incremental borrowing rate

To determine the incremental borrowing rate, the Bank:
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing, and
- makes adjustments specific to the lease, (e.g. term, currency and security).

The Bank's weighted average incremental borrowing rates applied to the lease liabilities range from 3.20% to 7.71% (2022 - 2.97% to 7.71%).

The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding its lease liabilities.

Critical accounting judgement - Determining the lease term

In determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

21 Financial risk and capital management

Risk management in the Bank covers all perceived areas of risk exposure, even as it continuously endeavors to uncover hidden risks. Capital management is understood to be a facet of risk management. The BOD is the Bank's principal risk and capital manager, and the Bank's only strategic risk taker. The BOD provides written policies for overall risk management, as well as written procedures for the management of credit risk, foreign exchange risk, interest rate risk, equity risk, liquidity risk, and contingency risk, among others.

The primary objective of the Bank is the generation of recurring acceptable returns to shareholders' capital. To this end, the Bank's policies, business strategies, and business activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its depositors, and to its various other funders and stakeholders.

To generate acceptable returns to its shareholders' capital, the Bank understands that it has to bear risk, that risk-taking is inherent in its business. Risk is understood by the Bank as the uncertainty in its future income - an uncertainty that emanates from the possibility of incurring losses that are due to unplanned and unexpected drops in revenues, increases in expenses, impairment of asset values, or increases in liabilities.

The possibility of incurring losses is, however, compensated by the possibility of earning more than expected income. Risk-taking is, therefore, not entirely a bad step to be avoided. Risk-taking presents opportunities if risks are accounted, deliberately taken, and are kept within rationalized limits.

The most important financial risks that the Bank manages are credit risk, liquidity risk and market risk.

21.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that may arise if a borrower or counterparty fails to meet its obligations in accordance with agreed terms. Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk as governed by relevant regulatory requirements and international benchmarks.

Credit risk may also arise due to substantial exposures to a particular counterparty which the Bank manages by adopting proper risk controls and diversification strategies to prevent undue risk concentrations from excessive exposures to particular counterparties, industries, countries or regions.

The most evident source of credit risk is loans and advances; however, other sources of credit risk exist throughout the activities of the Bank, including in credit-related activities recorded in the banking, investment securities in the trading books and off-balance sheet transactions.

21.1.1 Credit risk management

The Credit Policy and Risk Management division of the Parent Bank supports the Credit Committees in coordination with various business lending and operations units in managing credit risk, and reports are regularly provided to the Bank's Senior Management and the BOD. A rigorous control framework is applied in the determination of expected credit loss (ECL) models. The Parent Bank has policies and procedures that govern the calculation of ECL and such policies are consistently being observed by the Bank. All ECL models are regularly reviewed by the Risk Management Office (RMO) to ensure that necessary controls are in place and the models are applied accordingly.

The review and validation are performed by groups that are independent of the team that prepares the calculations, e.g., Risk Models Validation and Internal Auditors. Expert judgements on measurement methodologies and assumptions are reviewed by a group of internal experts from various functions.

The Bank employs a range of policies and practices to mitigate credit risk. The Bank monitors its portfolio based on different segmentation to reflect the acceptable level of diversification and concentration. Credit concentration arises from substantial exposures to particular counterparties. Concentration risk in credit portfolios is inherent in banking and cannot be totally eliminated. However, said risk may be reduced by adopting proper risk control and diversification strategies to prevent undue risk concentrations from excessive exposures to particular counterparties, industries, countries or regions.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and subjected to annual or more frequent review, when deemed necessary. Limits on large exposures and credit concentration are approved by the BOD through the Risk Management Committee (RMC).

The exposure to any one borrower is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored regularly.

Settlement risk arises in any situation where a payment in cash, securities, foreign exchange currencies, or equities is made in the expectation of a corresponding receipt in cash, securities, foreign exchange currencies, or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day. For certain securities, the introduction of the delivery versus payment facility in the local market has brought down settlement risk significantly.

The Bank employs a range of policies and practices to mitigate credit risk. Some of these specific control and risk mitigation measures include collateral or guarantees.

Collateral or guarantees

One of the most traditional and common practice in mitigating credit risk is requiring security particularly for loans and advances. The Bank implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The Bank assesses the valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The common collateral types for loans and advances are:

- Mortgages over physical properties (e.g., real estate and personal) and
- Mortgages over financial assets (e.g., guarantees).

In order to minimize credit loss, the Bank seeks additional collateral from the counterparty when impairment indicators are observed for the relevant individual loans and advances.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collaterals held by the Bank since the prior period.

21.1.2 Credit risk rating

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default (PD) of individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. In addition, the models enable expert judgement from the Credit Review Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The Bank has put in place a credit classification system to promptly identify deteriorating exposures and to determine the appropriate credit losses. Classification is being done on the basis of the Bank's existing internal credit risk rating system, credit models or determined using reputable external rating agencies. The following are the considerations observed by the Bank in classifying its exposures:

- *Standard monitoring* refers to accounts which do not have a greater-than-normal risk and do not possess the characteristics of special monitoring and defaulted loans. The counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated.

- *Special monitoring* are accounts which need closer and frequent monitoring to prevent any further deterioration of the credit. The counterparty is assessed to be vulnerable to highly vulnerable and its capacity to meet its financial obligations is dependent upon favorable business, financial, and economic conditions.

- *Default* refers to accounts which exhibit probable to severe weaknesses wherein possibility of non-repayment of loan obligation is ranging from high to extremely high severity.

The mapping of internal credit risk ratings with the Bank's standard account classification is shown below:

(a) Loans and advances

The Bank's internal credit risk rating system comprises a 30-scale rating with eighteen (18) 'pass' rating levels for large corporate accounts; and 14-scale rating system with ten (10) 'pass' rating grades for loans mapped based on reputable external rating agency.

The Bank uses automated scoring models to assess the level of risk for retail accounts. Behavioral indicators are considered in conjunction with other forward-looking information (e.g., industry forecast) to assess the level of risk of a financial asset. After the date of initial recognition, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score which is mapped to a PD.

Self-Employed Micro-Entrepreneur (SEME) Loans

Loans for SEME is the core business of BanKo. The SEME Loans are typically in small denominations, loan amount ranges from P25,000 to P500,000 per borrower. Credit policies are in place for a standard process and management of loans. The loan evaluation and approval process is decentralized in branches. The Branch Manager has the primary responsibility of branch performance and ensures proper and complete documentation prior to loan release.

The borrower is evaluated using a SEME credit scorecard and passes thru the credit evaluation and approval process to mitigate credit risk.

In 2023, the Bank updated the default definition for SEME loan portfolio from 7 days to 10 days in line with the amended cure period from 7 days to 10 days in 2022 as a result of the Cure Period Analysis study conducted by the BPI Group's Enterprise Risk Stress Testing Department of the RMO, taking into account the changes in the BPI Group's collection activities and impact of the Coronavirus pandemic to the borrowers.

Classifications	PL, Auto, Housing	Self-employed and microentrepreneurs
Standard monitoring	Current to 30 dpd	Current to 10 dpd
Special monitoring	31-90 dpd	>10 days
Default	>90, IL, Loss	>10 days

(b) Treasury and debt securities

Investments in high grade securities are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements. The level of credit risk for treasury and other investment debt securities and their associated PD are determined using reputable external ratings and/or available and reliable qualitative and quantitative information. In the absence of credit ratings, a comparable issuer or guarantor rating is used. Should there be a change in the credit rating of the chosen comparable, evaluation is made to ascertain whether the rating change is applicable to the security being assessed for impairment.

Classifications	Credit Risk Grade following S&P or its equivalent
Standard monitoring	Investment Grade (AAA to BBB-)
Special monitoring	Non-Investment Grade (BB+ to C)
Default	Default (D)

(c) Other financial assets

For other financial assets (accounts receivable and rental deposits), the Bank applies the simplified approach, as permitted by PFRS 9, in measuring ECL which uses a lifetime ECL methodology. These financial assets are grouped based on shared risk characteristics and aging profile. For some of these, impairment is assessed individually at a counterparty level.

21.1.3 Maximum exposure to credit risk

The following tables contain an analysis of the credit risk exposure of each financial instrument for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets at December 31.

Credit quality of loans and advances, net

	2023			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring	27,252,522,495	56,780,613	-	27,309,303,108
Special monitoring	773,848	419,561,115	-	420,334,963
Default	-	-	2,554,917,175	2,554,917,175
Gross carrying amount	27,253,296,343	476,341,728	2,554,917,175	30,284,555,246
Loss allowance	(744,334,608)	(12,867,801)	(1,831,015,950)	(2,588,218,359)
Carrying amount	26,508,961,735	463,473,927	723,901,225	27,696,336,887

	2022			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring	15,485,282,890	65,390,924	-	15,550,673,814
Special monitoring	579,435	170,832,187	-	171,411,622
Default	-	-	1,856,259,904	1,856,259,904
Gross carrying amount	15,485,862,325	236,223,111	1,856,259,904	17,578,345,340
Loss allowance	(528,110,991)	(7,088,513)	(1,364,010,949)	(1,899,210,453)
Carrying amount	14,957,751,334	229,134,598	492,248,955	15,679,134,887

Treasury and other investment securities

Credit risk exposures relating to treasury and other investment securities at December 31 are as follows:

	2023	2022
Due from other banks	3,218,312,911	767,097,024
Interbank loans receivable and SPAR	3,196,962,969	135,594,884
Due from BSP	7,372,891,154	4,334,661,084
	13,788,167,034	5,237,352,992

Credit quality of treasury and other investment securities

	2023			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring				
Due from other banks	3,218,312,911	-	-	3,218,312,911
Interbank loans receivable and SPAR	3,196,962,969	-	-	3,196,962,969
Due from BSP	7,372,891,154	-	-	7,372,891,154
Gross carrying amount	13,788,167,034	-	-	13,788,167,034
Loss allowance	-	-	-	-
Carrying amount	13,788,167,034	-	-	13,788,167,034

	2022			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring				
Due from other banks	767,097,024	-	-	767,097,024
Interbank loans receivable and SPAR	135,594,884	-	-	135,594,884
Due from BSP	4,334,661,084	-	-	4,334,661,084
Gross carrying amount	5,237,352,992	-	-	5,237,352,992
Loss allowance	-	-	-	-
Carrying amount	5,237,352,992	-	-	5,237,352,992

Credit quality of other financial assets

Credit risk exposures relating to other financial assets at December 31 are as follows:

	2023	2022
Accounts receivable, net	10,090,433	7,335,659
Rental deposits	36,630,073	33,383,616
Injunction bond	155,920,192	44,111,052
Accrued interest receivable	5,547,365	1,528,191
	208,188,063	86,358,518

The Bank's other financial assets generally arise from transactions with various unrated counterparties with good credit standing. The Bank applies the simplified approach, as permitted by PFRS 9, in measuring ECL which uses a lifetime expected loss methodology for other financial assets.

To measure the ECL, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of other financial assets over a period of 36 months and corresponding historical credit losses experienced within the said period. The impact of forward-looking variables on macroeconomic factors is considered insignificant in calculating ECL provisions for other financial assets.

Critical accounting estimate - Measurement of the ECL allowance

The measurement of the ECL for loans and advances is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Forward-looking scenarios

Three distinct macroeconomic scenarios (baseline, upside and downside) are considered in the Bank's estimation of ECL in Stage 1 and Stage 2. These scenarios are based on assumptions supported by economic theories and historical experience. The downside scenario reflects a negative macroeconomic event occurring within the first 12 months, with conditions deteriorating for up to two years, followed by a recovery for the remainder of the period. This scenario is grounded in historical experience and assumes a monetary policy response that returns the economy to a long-run, sustainable growth rate within the forecast period. The probability of each scenario is determined using expert judgment and recession probability tools provided by reputable external service providers. The baseline case incorporates the Bank's outlook for the domestic and global economy. The best and worst case scenarios take into account certain adjustments that will lead to a more positive or negative economic outcome.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes is likewise considered, if material.

The Bank has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio. The most significant period-end assumptions used for the ECL estimate at December 31 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

2023

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	6.2	6.3	7.3	7.9	1.9	1.0
Inflation Rate (%)	3.7	2.8	3.4	2.1	6.5	9.2
PDST-R2 5Y (%)	6.1	5.3	4.9	3.4	7.8	10.1
US Treasury 5Y (%)	4.6	4.0	3.5	2.1	6.4	8.8
Exchange Rate	54.33	57.33	53.46	55.65	55.65	67.66

2022

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	5.5	5.1	6.7	6.8	4.3	3.4
Inflation Rate (%)	3.9	2.8	2.9	1.5	5.0	4.0
PDST-R2 5Y (%)	7.3	5.8	5.1	3.2	9.4	8.4
US Treasury 5Y (%)	5.5	4.2	3.4	1.5	7.6	6.8
Exchange Rate	56.73	56.55	56.38	53.16	57.07	60.15

Sensitivity analysis

The Bank's loan portfolio has different sensitivities to movements in macroeconomic variables (MEVs), so the above three scenarios have varying impact on the ECL of the Bank's portfolio. The allowance for impairment is calculated as the weighted average of ECL under the baseline, upside and downside scenarios. The impact of weighting these multiple scenarios was an increase in the allowance for impairment by P2.6090 million from the baseline scenario as at December 31, 2023 (2022 - P0.0047 million).

Transfers between stages

Transfers from Stage 1 and Stage 2 are based on the assessment of SICR from initial recognition. The impact of moving from 12 months ECL to lifetime ECL, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in ECL. Assuming all Stage 2 accounts are considered as Stage 1, allowance for impairment would have decreased by P2.43 million as at December 31, 2023 (2022 - P1.81 million).

21.1.4 Credit impaired loans and advances

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held at December 31 in order to mitigate potential losses are shown below:

	2023			2022		
	Gross exposure	Impairment allowance	Carrying amount	Gross exposure	Impairment allowance	Carrying amount
Credit-impaired assets						
Corporate entities	-	-	-	50,000,000	(50,000,000)	-
Retail customers	2,554,917,175	(1,831,015,950)	723,901,225	1,806,259,904	(1,314,010,949)	492,248,955
Total credit-impaired assets	2,554,917,175	(1,831,015,950)	723,901,225	1,856,259,904	(1,364,010,949)	492,248,955
Fair value of collateral	58,534,516			114,072,466		

As at December 31, 2023, the Bank acquired assets by taking possession of collaterals held as security for loans and advances with carrying amount of P68,525,646 (2022 - P 77,880,288). The related foreclosed collaterals at December 31, 2023 have aggregate fair value of P156,519,768 (2022 - P155,521,616).

As at December 31, 2023 and 2022, the allowance for impairment of foreclosed collateral amounts to P4,159,967. Foreclosed collaterals include real estate (land, building, and improvements) and chattel.

Repossessed properties are sold as soon as practicable and are classified as assets held for sale in the statement of condition.

21.1.5 Loss allowance

The loss allowance recognized in the period is affected by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, Exposure at Default (EAD) and Loss Given Default (LGD) in the period;
- Impact on the measurement of ECL due to changes made to models and assumptions;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

The following table summarizes the changes in the loss allowance for loans and advances between the beginning and the end of the annual period.

For the year ended December 31, 2023

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance, beginning	537,015,472	7,088,513	1,355,106,468	1,899,210,453
Provision for impairment for the year				
Transfers:				
Transfer in (out of) Stage 1	(790,044,291)	11,443,943	1,254,246,126	475,645,778
Transfer in (out of) Stage 2	300,418	(46,462,844)	83,741,347	37,578,921
Transfer in (out of) Stage 3	263,859	437,455	(13,921,916)	(13,220,602)
New financial assets originated	1,218,637,883	-	-	1,218,637,883
Financial assets derecognized during the year	(283,212,041)	(1,148,745)	(86,923,080)	(371,283,866)
Changes in assumptions and other movements in provision	68,942,267	41,564,637	318,435,675	428,942,579
	214,888,095	5,834,446	1,555,578,152	1,776,300,693
Write-offs and other movements	(7,568,959)	(55,158)	(1,079,668,670)	(1,087,292,787)
Loss allowance, ending	744,334,608	12,867,801	1,831,015,950	2,588,218,359

For the year ended December 31, 2022

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance, beginning	413,613,074	10,578,351	1,463,855,956	1,888,047,381
Provision for impairment for the year				
Transfers:				
Transfer in (out of) Stage 1	(395,113,286)	4,708,841	660,281,397	269,876,952
Transfer in (out of) Stage 2	721,708	(33,472,370)	46,388,601	13,637,939
Transfer in (out of) Stage 3	1,048,843	472,798	(16,486,704)	(14,965,063)
New financial assets originated	714,490,301	-	-	714,490,301
Financial assets derecognized during the year	(238,989,657)	(1,143,426)	(104,255,590)	(344,388,673)
Changes in assumptions and other movements in provision	42,172,486	25,943,012	(9,920,765)	58,194,733
	124,330,395	(3,491,145)	576,006,939	696,846,189
Write-offs and other movements	(9,832,478)	1,307	(675,851,946)	(685,683,117)
Loss allowance, ending	528,110,991	7,088,513	1,364,010,949	1,899,210,453

No movement analysis of allowance for impairment for other financial assets subject to impairment as the related loss allowance is deemed insignificant for financial reporting purposes.

Write-off policy

The Bank writes off financial assets when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The write-off of loans is approved by the Board of Directors in compliance with the BSP requirements. Loans written-off in 2023 and 2022 are fully covered with allowance.

21.1.6 Concentration of financial assets with credit exposure

The Bank's main credit exposures based on carrying amounts and categorized by industry sectors are summarized below:

	Financial institutions	Manufacturing	Business services and real estate	Others	Less - Allowance	Total
At December 31, 2023						
Due from other banks	3,218,312,911	-	-	-	-	3,218,312,911
Interbank loans receivable and SPAR	-	-	-	3,196,962,969	-	3,196,962,969
Due from BSP	-	-	-	7,372,891,154	-	7,372,891,154
Loans and advances, net	11,203,291	679,964,456	1,235,457,054	28,357,930,445	(2,588,218,359)	27,696,336,887
Other resources, net	-	-	-	236,342,561	(28,154,498)	208,188,063
	3,229,516,202	679,964,456	1,235,457,054	39,164,127,129	(2,616,372,857)	41,692,691,984

	Financial institutions	Manufacturing	Business services and real estate	Others	Less - Allowance	Total
At December 31, 2022						
Due from other banks	767,097,024	-	-	-	-	767,097,024
Interbank loans receivable and SPAR	-	-	-	135,594,884	-	135,594,884
Due from BSP	-	-	-	4,334,661,084	-	4,334,661,084
Loans and advances, net	66,263,112	489,299,468	1,298,628,773	15,724,153,987	(1,899,210,453)	15,679,134,887
Other resources, net	-	-	-	101,980,947	(15,622,429)	86,358,518
	833,360,136	489,299,468	1,298,628,773	20,296,390,902	(1,914,832,882)	21,002,846,397

21.1.7 Provision for credit and impairment losses

The Bank's provision for credit and impairment losses are attributable to the following accounts:

	Notes	2023	2022
Loans and advances	6	1,776,300,693	696,846,189
Other resources	9	13,988,955	4,491,488
Assets held for sale		455,399	1,018,555
		1,790,745,047	702,356,232

21.2 Market Risks

The Bank is exposed to market risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is managed by the RMO who directly reports to the Risk Management Committee of the Board.

Market risk management is incumbent on the BOD through its Risk Management Committee. Market risk management in the Bank covers managing exposures to trading risk, foreign exchange risk, counterparty credit risk, interest rate risk of the banking book and liquidity risk. At the management level, the Bank's market risk exposure is managed by RMO, headed by the Company Risk Officer who reports directly to the BPI Chief Risk Officer and BanKo Risk Management Committee. In addition, Internal Audit is responsible for the independent review of risk assessment measures and procedures and the control environment.

The Bank reviews and controls market risk exposures of both its trading and non-trading portfolios. Trading portfolios include those positions arising from the Bank's market-making transactions. Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and commercial banking assets and liabilities.

Value-at-Risk (VaR) measurement is an integral part of the Bank's market risk control system. This metric estimates, at 99% confidence level, the maximum loss that a trading portfolio may incur over a trading day. This metric indicates as well that there is 1% statistical probability that the trading portfolios' actual loss would be greater than the computed VaR. In order to ensure model soundness, the VaR is periodically subject to model validation and back testing. VaR is supplemented by other risk metrics and measurements that would provide preliminary signals to Treasury and to the management to assess the vulnerability of Bank's positions. To control the risk, the RMC sets risk limits for trading portfolios which are consistent with the Bank's goals, objectives, risk appetite, and strategy.

Stress tests indicate the potential losses that could arise in extreme conditions that would have detrimental effect to the Bank's positions. The Bank periodically performs stress testing (price risk and liquidity risk) to assess the Bank's condition on assumed stress scenarios. Contingency plans are frequently reviewed to ensure the Bank's preparedness in the event of real stress. Results of stress tests are reviewed by senior management and by the RMC.

The average daily VaR for the trading portfolios in 2023 is at P814,125 (2022 - P501,054).

21.2.1 Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in foreign exchange rates. It arises on financial instruments that are denominated in a foreign currency other than the functional currency which they are measured.

The Bank takes on exposure to the effects of fluctuations in the prevailing exchange rates on its foreign currency financial position and cash flows. The table below summarizes the Bank's exposure to foreign currency exchange rate risk relative to its financial assets and liabilities denominated in United States Dollar (US Dollar) at December 31.

	2023	2022
Financial assets		
Due from other banks	168,442,075	196,509,221
Other resources	131,791	145,082
	168,573,866	196,654,303
Financial liabilities		
Deposit liabilities	145,504,618	174,735,563
Accrued interest	126,075	-
	145,630,693	174,735,563
Net foreign exchange exposure	22,943,173	21,918,740

At December 31, 2023, if the Philippine Peso had strengthened by 1% (2022 - 5%) against the US Dollar based on historical information in the last five years with all other variables held constant, net income as at and for the year ended December 31, 2023 would have been P172,074 higher/lower (2022 - P821,953 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated deposits with other banks and deposit liabilities.

21.2.2 Interest rate risk

There are two types of interest rate risk - (i) fair value interest rate risk and (ii) cash flow interest rate risk. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may also result in losses in the event that unexpected movements arise.

The BOD sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the RMO.

Interest rate risk in the banking book arises from the Bank’s core banking activities. The main source of this type of interest rate risk is repricing risk, which reflects the fact that the Bank’s assets and liabilities are of different maturities and are priced at different interest rates.

	Up to 1 year	Over 1 year and up to 3 years	Over 3 years	Non-repricing	Total
As at December 31, 2023					
Financial assets					
Cash and other cash items	-	-	-	386,079,377	386,079,377
Due from other banks	-	-	-	3,218,312,911	3,218,312,911
Interbank loans receivable and SPAR	-	-	-	3,196,962,969	3,196,962,969
Due from BSP	-	-	-	7,372,891,154	7,372,891,154
Loans and advances, net	227,763,089	338,584,348	572,835,624	29,145,372,184	30,284,555,245
Other resources, net	-	-	-	208,188,063	208,188,063
Total financial assets	227,763,089	338,584,348	572,835,624	43,527,806,658	44,666,989,719
Financial liabilities					
Deposit liabilities	28,083,183,067	2,771,532,006	4,157,298,008	-	35,012,013,081
Accrued interest and other expenses	-	-	-	695,323,467	695,323,467
Other liabilities	-	-	-	1,997,778,254	1,997,778,254
Total financial liabilities	28,083,183,067	2,771,532,006	4,157,298,008	2,693,101,721	37,705,114,802
Total interest gap	(27,855,419,978)	(2,432,947,658)	(3,584,462,384)	40,834,704,937	6,961,874,917

	Up to 1 year	Over 1 year and up to 3 years	Over 3 years	Non-repricing	Total
As at December 31, 2022					
Financial assets					
Cash and other cash items	-	-	-	250,147,358	250,147,358
Due from other banks	-	-	-	767,097,024	767,097,024
Interbank loans receivable and SPAR	-	-	-	135,594,884	135,594,884
Due from BSP	-	-	-	4,334,661,084	4,334,661,084
Loans and advances, net	896,170,539	407,150,205	66,994,536	16,208,030,060	17,578,345,340
Other resources, net	-	-	-	86,358,518	86,358,518
Total financial assets	896,170,539	407,150,205	66,994,536	21,781,888,928	23,152,204,208
Financial liabilities					
Deposit liabilities	10,404,759,764	2,555,072,664	3,832,608,996	-	16,792,441,424
Accrued interest and other expenses	-	-	-	174,508,037	174,508,037
Other liabilities	-	-	-	1,090,003,358	1,090,003,358
Total financial liabilities	10,404,759,764	2,555,072,664	3,832,608,996	1,264,511,395	18,056,952,819
Total interest gap	(9,508,589,225)	(2,147,922,459)	(3,765,614,460)	20,517,377,533	5,095,251,389

The Bank uses a simple version of the Balance Sheet VaR (BSVaR) whereby only the principal and interest payments due and relating to the banking book as at particular valuation dates are considered. The BSVaR assumes a static balance sheet, i.e., it is assumed that there will be no new transactions moving forward, and no portfolio rebalancing will be undertaken in response to future changes in market rates.

The BSVaR is founded on re-pricing gaps, or the difference between the amounts of rate sensitive assets and the amounts of rate sensitive liabilities. An asset or liability is considered to be rate-sensitive if the interest rate applied to the outstanding principal balance changes (either contractually or because of a change in a reference rate) during the interval.

The BSVaR estimates the “riskiness of the balance sheet” and compares the degree of risk-taking activity in the banking books from one period to the next. In consideration of the static framework, and the fact that income from the positions is accrued rather than generated from marking-to-market, the probable loss (that may be exceeded 1% of the time) that is indicated by the BSVaR is not realized in accounting income.

The cumulative BSVaR for the banking or non-trading book in 2023 amounts to P500,482,183 (2022 - P197,000,000).

21.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Bank’s liquidity profile is observed and monitored through its metric, the Minimum Cumulative Liquidity Gap (MCLG). The MCLG is the smallest net cumulative cash inflow (if positive) or the largest net cumulative cash outflow (if negative) over the next three (3) months. The MCLG indicates the biggest funding requirement in the short term and the degree of liquidity risk present in the current cash flow profile of the Bank. The MCLG is computed monthly and reported in the RMC meetings. A red flag is immediately raised and reported to management and the RMC when the MCLG level projected over the next 3 months breaches the RMC prescribed MCLG limit.

21.3.1 Liquidity risk management process

The Bank’s liquidity management process, as carried out within the Bank and monitored by the RMC and the RMO includes:

- day-to-day funding, which includes replenishment of funds as they mature or are borrowed by customers, managed by monitoring future cash flows to ensure that requirements can be met;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- managing the concentration and profile of debt maturities; and
- performing periodic liquidity stress testing on the Bank’s liquidity position by assuming a faster rate of withdrawals in its deposit base.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Bank also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities (if any).

Liquidity Coverage Ratio (LCR)

Pursuant to BSP Circular No. 905 issued in 2016, the Bank is required to hold and maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that are sufficient to meet its estimated total cash outflows over a 30 calendar-day period of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. It is designed to promote short-term resilience of the Bank's liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days. HQLA represent the Bank's stock of liquid assets that qualify for inclusion in the LCR which consist mainly of cash, regulatory reserves and unencumbered high-quality liquid securities. HQLAs therefore, serve as defense against potential stress events.

The main drivers of the Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits, unsecured borrowings and commitment facilities, if any.

Net Stable Funding Ratio (NSFR)

On January 1, 2019, the Bank adopted BSP Circular No. 1007 issued in 2018 regarding the NSFR requirement. The NSFR is aimed at strengthening the Bank's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items as well as to limit the maturity transformation risk of the Bank. The NSFR is expressed as the ratio of available stable funding and the required stable funding and complements the LCR as it takes a longer view of the Bank's liquidity risk profile. The Bank's capital and retail deposits are considered as stable funding sources whereas the Bank's assets including, but not limited to, performing and non-performing loans and receivables, HQLA and non-HQLA securities as well as off-balance sheet items form part of the required stable funding. The Bank's NSFR is well-above the regulatory minimum of 100%.

The Bank maintains a well-diversified funding base and has a substantial amount of core deposits, thereby avoiding undue concentrations by counterparty, maturity, and currency. The Bank manages its liquidity position through asset-liability management activities supported by a well-developed funds management practice as well as a sound risk management system. As part of risk oversight, the Bank monitors its liquidity risk on a daily basis, in terms of single currency and significant currencies, to ensure it is operating within the risk appetite set by the BOD and to assess ongoing compliance with the minimum requirement of the liquidity ratios. Furthermore, the Bank has a set of policies and escalation procedures in place that govern its day-to-day risk monitoring and reporting processes.

The table below shows the actual liquidity metrics of the Bank as at December 31:

	2023	2022
Liquidity coverage ratio	133.97%	231.13%
Net stable funding ratio	135.91%	137.00%
Leverage ratio	10.83%	16.30%
Total exposure measure	43,493,133,715	22,381,413,480

21.3.2 Funding approach

Sources of liquidity are regularly reviewed by the Bank to maintain a wide diversification by currency, geography, counterparty, product and term.

21.3.3 Non-derivative cash flows

The table below presents the maturity profile of non-derivative financial instruments at December 31 based on undiscounted cash flows, including interest, which the Bank uses to manage the inherent liquidity risk. The analysis takes into account the maturity grouping based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the financial asset will be realized or the financial liability will be settled.

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023				
Financial assets				
Cash and other cash items	386,079,377	-	-	386,079,377
Due from other banks	3,218,312,911	-	-	3,218,312,911
Interbank loans receivable and SPAR	3,197,076,366	-	-	3,197,076,366
Due from BSP	7,382,215,154	-	-	7,382,215,154
Loans and advances	13,111,635,872	19,522,573,552	2,094,880,481	34,729,089,905
Other resources	208,188,063	-	-	208,188,063
Total financial assets	27,503,507,743	19,522,573,552	2,094,880,481	49,120,961,776
Financial liabilities				
Deposit liabilities	28,896,069,096	2,775,002,560	4,162,533,841	35,833,605,497
Accrued interest and other expense	695,323,467	-	-	695,323,467
Other liabilities including lease liabilities	1,742,253,824	202,672,058	101,442,603	2,046,368,485
Total financial liabilities	31,333,646,387	2,977,674,618	4,263,976,444	38,575,297,449
Total maturity gap	(3,830,138,644)	16,544,898,934	(2,169,095,963)	10,545,664,327

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022				
Financial assets				
Cash and other cash items	250,147,358	-	-	250,147,358
Due from other banks	767,097,024	-	-	767,097,024
Interbank loans receivable and SPAR	135,636,303	-	-	135,636,303
Due from BSP	4,339,307,333	-	-	4,339,307,333
Loans and advances	15,033,386,856	9,769,289,208	1,511,773,339	26,314,449,403
Other resources	86,358,518	-	-	86,358,518
Total financial assets	20,611,933,392	9,769,289,208	1,511,773,339	31,892,995,939
Financial liabilities				
Deposit liabilities	10,436,637,856	2,557,618,185	3,836,427,278	16,830,683,319
Accrued interest and other expense	174,508,037	-	-	174,508,037
Other liabilities including lease liabilities	941,998,239	231,603,480	201,117,997	1,374,719,716
Total financial liabilities	11,553,144,132	2,789,221,665	4,037,545,275	18,379,911,072
Total maturity gap	9,058,789,260	6,980,067,543	(2,525,771,936)	13,513,084,867

The maturity gap is being managed through the minimum cumulative liquidity gap.

21.4 Fair values of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities at December 31 not presented in the statement of condition at fair value.

	Carrying value		Fair value	
	2023	2022	2023	2022
Financial assets				
Cash and other cash items	386,079,377	250,147,358	386,079,377	250,147,358
Due from other banks	3,218,312,911	767,097,024	3,218,312,911	767,097,024
Interbank loans receivable and SPAR	3,196,962,969	135,594,884	3,196,962,969	135,594,884
Due from BSP	7,372,891,154	4,334,661,084	7,372,891,154	4,334,661,084
Loans and advances, net	27,696,336,887	15,679,134,887	30,284,555,245	17,578,345,341
Other resources, net	208,188,063	86,358,518	208,188,063	86,358,518
Financial liabilities				
Deposit liabilities	35,012,013,081	16,792,441,424	34,538,730,553	16,716,773,392
Accrued interest and other expenses	695,323,467	174,508,037	695,323,467	174,508,037
Other liabilities	1,997,778,254	1,090,003,358	1,997,778,254	1,090,003,358

Cash and other cash items, due from BSP and other banks, and interbank loans receivable and SPAR

The fair value of floating rate placements and overnight deposits approximates their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. All of these financial assets have a maturity of one year, thus their fair values approximate their carrying amounts.

Loans and advances

The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted with the use of assumptions regarding appropriate credit spread for the loan, derived from other market instruments.

Financial liabilities

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Other resources and other liabilities

Carrying amounts of other resources and other liabilities which have no definite repayment dates are assumed to be their fair values.

Critical accounting estimate - Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using generally accepted valuation techniques. Where valuation techniques (for example, discounted cash flow models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Inputs used in these models are from observable data and quoted market prices in respect of similar financial instruments.

All models are approved by the BOD before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions about these factors could affect reported fair value of financial instruments.

The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the fair value of financial instruments that are not quoted in active markets.

21.4.1 Fair value hierarchy

The following table presents the fair value hierarchy of the Bank's financial assets and liabilities at December 31:

	Fair value		
2023	Level 1	Level 2	Total
Recurring measurements			
Financial asset at FVOCI			
Equity security	7,548	-	7,548
	7,548	-	7,548

Non-recurring measurements			
Assets held for sale, net	-	68,525,646	68,525,646

	Fair value		
2023	Level 1	Level 2	Total
Financial assets			
Cash and other cash items	-	386,079,377	386,079,377
Due from other banks	-	3,218,312,911	3,218,312,911
Interbank loans receivable and SPAR	-	3,196,962,969	3,196,962,969
Due from BSP	-	7,372,891,154	7,372,891,154
Loans and advances, net	-	30,284,555,245	30,284,555,245
Other resources, net	-	208,188,063	208,188,063
Financial liabilities			
Deposit liabilities	-	35,012,013,081	35,012,013,081
Accrued interest and other expenses	-	695,323,467	695,323,467
Other liabilities	-	1,997,778,254	1,997,778,254

	Fair value		
2022	Level 1	Level 2	Total
Recurring measurements			
Financial asset at FVOCI			
Equity security	14,939	-	14,939
	14,939	-	14,939

Non-recurring measurements			
Assets held for sale, net	-	77,880,288	77,880,288

	Fair value		
2022	Level 1	Level 2	Total
Financial assets			
Cash and other cash items	-	250,147,358	250,147,358
Due from other banks	-	767,097,024	767,097,024
Interbank loans receivable and SPAR	-	135,594,884	135,594,884
Due from BSP	-	4,334,661,084	4,334,661,084
Loans and advances, net	-	17,578,345,341	17,578,345,341
Other resources, net	-	86,358,518	86,358,518
Financial liabilities			
Deposit liabilities	-	16,792,441,424	16,792,441,424
Accrued interest and other expenses	-	174,508,037	174,508,037
Other liabilities	-	1,090,003,358	1,090,003,358

There are no transfers between the fair value hierarchy above for the years ended December 31, 2023 and 2022.

22 Capital management

Capital management is understood to be a facet of risk management. The primary objective of the Bank is the generation of recurring acceptable returns to shareholder's capital. To this end, the Bank's policies, business strategies and activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its depositors, and to its various funders and stakeholders.

Cognizant of its exposure to risks, the Bank understands that it must maintain sufficient capital to absorb unexpected losses, to stay in business for the long haul, and to satisfy regulatory requirements. The Bank further understands that its performance, as well as the performance of its various units, should be measured in terms of returns generated vis-à-vis allocated capital and the amount of risk borne in the conduct of business.

Effective January 1, 2014, the BSP, through its Circular 781, requires each bank and its financial affiliated subsidiaries to adopt new capital requirements in accordance with the provisions of Basel III. The new guidelines are meant to strengthen the composition of the Bank's capital by increasing the level of core capital and regulatory capital. The Circular sets out minimum Common Equity Tier 1 (CET1) ratio and Tier 1 Capital ratios of 6% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed. The minimum required capital adequacy ratio (CAR) remains at 10% which includes the capital conservation buffer.

The table below summarizes the Bank's CAR under the Basel III framework for the years ended December 31:

	2023	2022
Tier 1 capital	5,426,916,061	4,165,669,372
Tier 2 capital	263,664,096	141,119,944
Gross qualifying capital	5,690,580,157	4,306,789,316
Less: Required deductions	717,783,527	517,531,626
Total qualifying capital	4,972,796,630	3,789,257,690
Risk weighted assets	33,686,718,954	20,571,489,815
CET1	13.98%	17.73%
CAR (%)	14.76%	18.42%

The Bank has fully complied with the CAR requirement of the BSP as at December 31, 2023 and 2022.

23 Summary of material accounting policies

The material information of the principal accounting policies applied in the preparation of the Bank's financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

23.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

The financial statements comprise the statement of condition, statement of income and statement of comprehensive income shown as two statements, statement of changes in capital funds, the statement of cash flows and the notes.

These financial statements of the Bank have been prepared under the historical cost convention, as modified by the revaluation of investment security at FVOCI and plan assets of the Bank's pension plans measured at fair value.

The preparation of financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the Bank. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are shown below:

Critical accounting estimates
- Measurement of expected credit losses for loans and advances (Note 21.1.3)
- Fair value of financial instruments (Note 21.6)
- Pension liability on defined benefit obligation (Note 18)
- Valuation of assets held for sale
- Useful lives of bank premises, furniture, fixtures and equipment (Note 7)
- Determination of incremental borrowing rate (Note 20)

Critical accounting judgments
- Realization of deferred income tax assets (Note 8)
- Determining the lease term (Note 20)
- Classification of assets held for sale

23.1.1 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Bank

The Bank has adopted the following amendments to existing standards effective January 1, 2023:

- Amendments to PAS1, 'Presentation of Financial Statements', and PFRS Practice Statement 2

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support these amendments, PFRS Practice Statement 2, Making Materiality Judgements, was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The adoption of these amendments resulted to changes in the accounting policies disclosure in Note 22 series.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2023 that are considered relevant or expected to have a material effect on the financial statement of the Bank.

23.2 Financial assets

23.2.1 Classification

Th Bank classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income (FVOCI); and
- those to be measured at amortized cost.

The classification depends on the Bank's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at FVOCI, gains and losses will be recorded in OCI. For investments in equity instruments that are not held for trading, this will depend on whether Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

In the determination of the business model, the Bank considers its past experience on how the cash flows for these assets were collected, how the assets' performance are evaluated and how risks are assessed and managed.

23.2.2 Recognition

Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Bank commits to purchase or sell the asset.

23.2.3 Measurement

The classification requirements for debt and equity instruments are described below:

The Bank classifies its debt instruments at amortized cost.

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at fair value through profit or loss (FVTPL), are measured at amortized cost. The carrying amount of these assets is adjusted by any ECL allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Financial assets at amortized cost at December 31, 2023 and 2022 include cash and other cash items, due from BSP, due from other banks, interbank loans receivables and SPAR, loans and advances, and other resources.

Cash and cash equivalents consist of cash and other cash items, due from BSP and other banks and interbank loans receivable and SPAR with maturities of less than three months from the date of acquisition and that are subject to insignificant risk of changes in value.

Securities sold subject to repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method. Securities purchased under agreements to resell are recorded as loans and advances to other banks and customers and included in the statement of condition under "Interbank loans receivable and securities under agreement to resell." Securities lent to counterparties are also retained in the financial statements.

Business model: The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses and reversal of impairment losses, if any, are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

The Bank's investment in a listed equity security at December 31, 2023 and 2022 is measured at FVOCI.

23.2.4 Impairment of financial assets at FVOCI and at amortized cost

The Bank assesses impairment as follows:

- individually for loans that exceed specified thresholds - where there is an objective evidence of impairment, individually assessed provisions will be recognized; and
- collectively for loans below the specified thresholds noted above or if there is no objective evidence of impairment. These loans are included in a group of loans with similar risk characteristics and collectively assessed for impairment. If there is objective evidence that the group of loans is collectively impaired, collectively assessed provisions will be recognized.

The Bank assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Bank.
- If a SICR since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The Bank determines SICR based on prescribed benchmarks approved by the Board of the Directors.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with PFRS 9 is that it should consider forward-looking information.

The Bank assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI. The Bank recognizes a loss allowance for such losses at each reporting date.

The following diagram summarizes the impairment requirements under PFRS 9 (other than purchased originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

Determination of SICR

The Bank compares the probabilities of default occurring over its expected life as at the reporting date with the probability of default occurring over its expected life on the date of initial recognition to determine significant increase in credit risk. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings, credit score or shift from investment grade category to non-investment grade category;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon favorable business or economic condition;
- the account has become past due beyond 30 days where an account is classified under special monitoring category; and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the Bank.

Measuring ECL - Inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted product of the PD, EAD and LGD, defined as follows:

- The PD represents the likelihood that the borrower will default (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining life (lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

  The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

  - For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
  - For committed credit lines, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default.

- LGD represents the Bank’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

  The LGDs are determined based on the factors which impact the recoveries made post-default.

  - For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
  - For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies and historical recoveries.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. These assumptions vary by product type.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change are monitored and reviewed regularly.

The Bank's forward-looking, point-in-time PD models are driven by internal forecasts of MEVs over the next five years. These models were previously recalibrated annually, but in view of the COVID-19 pandemic, more frequent review and update of these models were conducted starting April 2020 as MEV forecasts were revised quarterly in response to changing macroeconomic conditions. Furthermore, the pandemic was expected to dampen demand for auto and real estate collaterals and thus decrease market prices, so appropriate haircuts were applied on estimated recoveries from collaterals. These haircuts, however, did not increase the Bank's LGD as these were offset by the Bank's favorable collection experience.

Forward-looking information incorporated in the ECL models

The Bank incorporates historical and current information, and forecasts forward-looking events and key economic variables that are assessed to impact credit risk and ECL for each portfolio. Macroeconomic variables that affect a specific portfolio's non-performing loan rate(s) are determined through statistical modelling and the application of expert judgement. The Bank's economics team establishes possible global and domestic economic scenarios. With the use of economic theories and conventions, expert judgement and external forecasts, the economics team develops assumptions to be used in forecasting variables in the next five (5) years, subsequently reverting to long run-averages. The probability-weighted ECL is calculated by running each scenario through the relevant ECL models and multiplying it by the appropriate scenario weighting.

The estimation and application of forward-looking information requires significant judgment. As with any economic forecasts, the projections and likelihood of occurrences are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The scenarios and their attributes are reassessed at each reporting date. Information regarding the forward-looking economic variables and the relevant sensitivity analysis is disclosed in Note 21.

Financial assets with low credit risk

Loss allowance for financial assets at amortized cost and FVOCI that have low credit risk is limited to 12-month ECLs. Management considers "low credit risk" for listed government bonds to be an investment grade credit rating with at least one major rating agency. Other debt instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Definition of default and credit-impaired assets

The Bank considers a financial instrument in default or credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments (with the exception of credit cards and micro-finance loans where a borrower is required to be 90 days past due and over 7 days past due, respectively, to be considered in default).

Qualitative criteria

The counterparty is experiencing significant financial difficulty which may lead to non-payment of loan as may be indicated by any or combination of the following events:

- The counterparty is in long-term forbearance;
- The counterparty is insolvent;
- The counterparty is in breach of major financial covenant(s) which lead(s) to event of default;
- An active market for the security has disappeared;
- Granting of concession that would not be otherwise considered due to economic or contractual reasons relating to the counterparty's financial difficulty;
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD, and LGD throughout the Bank's ECL calculations.

The Bank's definition of default is substantially consistent with non-performing loan definition of the BSP. For treasury and debt securities, these are classified as defaulted based on combination of BSP and external credit rating agency definitions.

23.2.5 Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in the statement of income as a gain or loss on derecognition.

If the terms are not substantially different, the Bank recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in the statement of income. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets.

23.2.6 Derecognition of financial assets other than modification

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

23.2.7 Write-off policy

The Bank writes off financial assets when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended December 31, 2023 was P1,084.43 million (2022 - P684.48 million). The write-off of loans is being approved by the BOD in compliance with the BSP requirements.

23.3 Financial liabilities

23.3.1 Classification

The Bank classifies its financial liabilities at amortized cost.

Financial liabilities measured at amortized cost include deposit liabilities, accrued interest and other expenses, and other liabilities (except tax-related or statutory payables).

23.3.2 Recognition and measurement

Initial recognition and measurement

Financial liabilities at amortized cost are initially recognized at fair value less transaction costs.

Subsequent measurement

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method.

23.3.3 Derecognition

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired).

23.4 Fair value measurement

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes mainly from PDEX and Bloomberg.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at reporting dates. The Bank uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity. For these financial instruments, inputs into models are generally market observable.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

Non-financial assets or liabilities

The Bank uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach – A valuation technique that uses observable inputs, such as prices, broker quotes and other relevant information generated by market transactions involving identical or comparable assets or group of assets.

- Income approach – A valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

- Cost approach – A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e. market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions.

The fair values of the Bank's foreclosed assets (shown as Assets held for sale) fall under level 2 of the fair value hierarchy using market approach. The Bank has no non-financial assets or liabilities classified under Level 3 as at December 31, 2023 and 2022.

23.5 Bank premises, furniture, fixtures and equipment

Bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate cost of each asset less its residual value over its estimated useful life as follows:

	Estimated useful life
Leasehold, rights and improvements	Based on lease term or life of the leased item whichever is shorter
Furniture, fixtures, and equipment	36 months
Computer equipment	36 months

Leasehold rights and improvements in progress are stated at cost. Costs are accumulated in the accounts until these projects are completed upon which these are classified to the appropriate property accounts and accordingly depreciated.

Major renovations are depreciated over the remaining useful life of the related asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value-in-use.

23.6 Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specified software. These costs are amortized on a straight-line basis over the expected useful lives of three to five years. Computer software is included in Other resources, net.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

23.7 Impairment of non-financial assets

Asset that have indefinite useful lives are not subject to amortization and depreciation and are tested annually for impairment. Assets that have definite useful life are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there is a separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

23.8 Foreclosed asset

Assets foreclosed shown as Assets held for sale in the statement of condition are accounted for at the lower of cost and fair value less cost to sell, similar to the principles of PFRS 5. The cost of assets foreclosed includes the carrying amount of the related loan less allowance for impairment at the time of foreclosure. Impairment loss is recognized for any subsequent write-down of the asset to fair value less cost to sell.

These foreclosed assets are classified as assets held for sale since it is the intention of the Bank's management to principally recover the carrying amount through sale transactions and the sale is considered highly probable.

The sale is expected to be completed within one year from the date of classification. In case events or circumstances may extend the period to complete the sale beyond one year, the extension of the period to complete the sale does not preclude the asset from being classified as held-for-sale if the delay is caused by events or circumstances beyond the Bank's control and the Bank remains committed to its plan to sell the asset.

23.9 Provisions for legal or contractual obligations

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in provision due to the passage of time is recognized as interest expense.

23.10 Interest income and expense

Interest income and expense are recognized in the statement of income for all interest-bearing financial instruments using the effective interest rate method.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

23.11 Service fee income

The Bank recognized revenue when (or as) the Bank satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

Fees and commissions are generally recognized over time when the service has been provided and the control over the service is transferred to the customer. The service being rendered by the Bank represents a single performance obligation.

Fees and commissions, mainly representing service fees, are recognized on an accrual basis when the service has been provided. Services fees compose of the processing fee and the motorized collector for both personal loans and SEME loans. Fees and commission arising from loans, deposits and other banking transactions are recognized as income based on agreed terms and conditions.

23.12 Foreign currency translation

Functional and presentation currency

Items in the financial statements of the Bank are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Philippine Peso, which is the Bank's functional currency.

23.13 Income taxes

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Bank operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax liabilities are recognized in full for all taxable temporary differences. Deferred income tax liabilities are provided on taxable temporary differences except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

23.14 Employee benefits

(a) Short-term benefits

The Bank recognizes a liability, net of amount already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses, and non-monetary benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Defined benefit retirement plan

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of condition in respect of defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The amount of pension asset recognized in the books is reduced by the amount of asset ceiling, as applicable.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

For individual financial reporting purposes, the unified plan assets are allocated based on the level of the defined benefit obligation attributable to each entity to arrive at the net liability or asset that should be recognized in the individual financial statements.

(c) Defined contribution retirement plan

The Bank also maintains a defined contribution plan that covers certain full-time employees. Under its defined contribution plan, the Bank pays fixed contributions based on the employees' monthly salaries. The Bank, however, is covered under RA No. 7641, otherwise known as The Philippine Retirement Pay Law, which provides for its qualified employees a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641. Accordingly, the Bank accounts for its retirement obligation under the higher of the defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Bank determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) and then, it takes into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the statement of income.

The defined contribution liability is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

Actuarial gains and losses arising from the remeasurements of the net defined contribution liability are recognized immediately in other comprehensive income.

(d) Profit sharing and bonus plans

The Bank recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Bank's shareholder after certain adjustments. The Bank recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

23.15 Leases

The Bank recognizes leases as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use.

Assets and liabilities arising from long-terms leases are initially measured on a present value basis. The interest expense is recognized in the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis over the lease term. The right-of-use asset may be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in the statement of income. Low-value assets comprise certain IT-equipment and office furniture.

24 Supplementary information required by BSP Circular No. 1074

Presented below are the additional information required by BSP Circular No. 1074 issued on January 8, 2020. This information is presented for BSP reporting purposes and is not required in the basic financial statements.

(i) Basic quantitative indicators of financial performance

The key financial performance indicators as at December 31 follow:

	2023	2022
Return on average equity[1]	26.80%	25.33%
Return on average assets[2]	3.91%	5.14%
Net interest margin[3]	17.82%	20.80%

[1]Net income divided by average total equity for the period indicated. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2023 and 2022.
[2]Net income divided by average total assets as at period indicated. Average total assets is based on the year-on-year balance of total assets as at December 31, 2023 and 2022.
[3]Net interest income divided by average interest-earning assets. Average interest earning assets is based on the year-on-year balance of interest earning assets as at December 31, 2023 and 2022.

(ii) Description of capital instrument issued

The Bank considers its common shares as capital instrument for the purpose of calculating its CAR as at December 31, 2023 and 2022.

(iii) Significant credit exposures

Details of the Bank's loans and advances portfolio as to concentration to industry/economic sector (in %) at December 31 are as follows:

	2023	2022
Private household with employed persons	45	34
Wholesale and retail trade	25	29
Consumer	18	-
Real estate, renting and other related activities	7	8
Manufacturing	2	19
Others	3	10
	100	100

Details of the loans and advances portfolio as to concentration per industry/economic sector over Tier 1 Capital (in %) as at December 31 are as follows:

	2023	2022
Private household with employed persons	244	139
Wholesale and retail trade	133	119
Consumer	99	-
Real estate, renting and other related activities	22	33
Manufacturing	12	78
Others	37	41

(iv) Breakdown of total loans

Details of the Bank's loans and advances portfolio as to collateral (amounts net of unearned discounts and accrued interest receivable) at December 31 are as follows:

	2023	2022
Secured loans		
Large corporate customer	40,489,706	58,246,232
Small and medium enterprise	5,136,569	7,252,624
Real estate mortgage	1,174,152,190	1,275,017,499
Chattel mortgage	336,859	368,324
	1,220,115,324	1,340,884,679
Unsecured loans		
Personal loans	18,643,195,579	9,035,675,996
Manpower/Microfinance loans	9,507,502,908	6,657,958,932
	28,150,698,487	15,693,634,928
	29,370,813,811	17,034,519,607

Non-performing loans, net of allowance for credit losses, at December 31 are as follows:

	2023	2022
Non-performing loans (NPL)	1,958,295,317	1,442,676,019
Accounts with specific allowance for credit losses	(1,445,884,536)	(1,056,756,930)
Net NPL	512,410,781	385,919,089

BSP Circular 941, Amendments to Regulations on Past Due and Non-Performing Loans, states that loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and if there is an evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

(v) Information on related party loans

The Bank does not have DOSRI loans and loans to related parties as at December 31, 2023 and 2022.

(vi) Liabilities and assets pledged as security

There are no loans and advances at December 31, 2023 and 2022 used as security for liabilities.

(vii) Contingencies and commitments arising from off-balance sheet items

The Bank does not have any contingencies and commitments arising from off-balance sheet items as at December 31, 2023 and 2022.

25 Supplementary information required by the Bureau of Internal Revenue (BIR)

Below is the additional information required by Revenue Regulations No. 15-2010 that is relevant to the Bank. This information is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements.

(i) Documentary stamp tax

	2023	2022
Deposit and loan documents	289,063,037	122,923,600
Others	634,778	465,600
	289,697,815	123,389,200

(ii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2023 consist of:

	Paid	Accrued	Total
Final income taxes withheld on interest on deposits and yield on deposit substitutes	139,801,133	20,388,301	160,189,434
Income taxes withheld on compensation	35,876,245	6,656,277	42,532,522
Creditable income taxes withheld (expanded)	28,434,542	8,695,594	37,130,136
Final income taxes withheld on the amount withdrawn from decedent's deposit account	87,640	-	87,640
	204,199,560	35,740,172	239,939,732

Withholding tax payable is presented as part of Accrued income tax under Accrued taxes, interest and other expenses in the statement of condition.

(iii) All other local and national taxes

All other local and national taxes paid/accrued for the year ended December 31, 2023 consist of:

	Paid	Accrued	Total
Gross receipts tax	367,168,442	131,452,215	498,620,657
Municipal taxes / Mayor's permit	32,167,446	-	32,167,446
Real property tax	1,404,991	-	1,404,991
Fringe benefits tax	75,384	21,453	96,837
Others	297,562	-	297,562
	401,113,825	131,473,668	532,587,493

Except for the gross receipts tax which is netted against the related income, local and national taxes are presented as part of taxes and licenses under Other operating expenses and Occupancy and equipment-related expense in the statement of income.

(iv) Tax cases and assessments

As at reporting date, the Bank has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

BPI Direct BanKo Inc., A Savings Bank

Foreign Currency Deposit Unit

Financial Statements
As at and for the years ended December 31, 2023 and 2022

Independent Auditor's Report

To the Board of Directors and Shareholder of
BPI Direct BanKo, Inc., A Savings Bank
Foreign Currency Deposit Unit
220 Ortigas Avenue, BanKO Center
North Greenhills, San Juan City
Metro Manila

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of the Foreign Currency Deposit Unit (FCDU) of BPI Direct BanKo, Inc., A Savings Bank (the "Bank") as at and for the years ended December 31, 2023 and 2022, are prepared, in all material respects, in accordance with the reporting guidelines of the Bangko Sentral ng Pilipinas (BSP).

What we have audited

The financial statements of the Bank comprise:

- the statements of condition as at December 31, 2023 and 2022;
- the statements of income for the years ended December 31, 2023 and 2022;
- the statements of total comprehensive income for the years ended December 31, 2023 and 2022;
- the statements of changes in due to or from regular banking unit for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to the financial statements, including material accounting policy information.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 11 to the financial statements, which describe the basis of accounting. The financial statements are prepared in accordance with the reporting guidelines prescribed by the Bangko Sentral ng Pilipinas (BSP). As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the information and use of the management of the Bank, and for purposes of submission to the BSP and Bureau of Internal Revenue and is not intended for any other purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the reporting guidelines of the BSP as described fully in Note 11 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in accordance with the reporting guidelines of the BSP, as described in Note 11 to the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Isla Lipana & Co.

John John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706; issued on January 12, 2024, Makati City
T.I.N. 112-071-386
BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 27, 2024

BPI Direct BanKo, Inc., A Savings Bank
Foreign Currency Deposit Unit

Statements of Condition
As at December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
RESOURCES			
Due from other banks	2,8	168,442,075	196,509,221
Other resources		131,791	18,114
Total resources		168,573,866	196,527,335
LIABILITIES AND DUE TO/FROM REGULAR BANKING UNIT			
Deposit liabilities	3	145,504,618	174,735,563
Accrued interest payable		126,074	8,242
Other liabilities	4	22,120,680	21,794,137
Total liabilities		167,751,372	196,537,942
Due to (from) regular banking unit		822,494	(10,607)
Total liabilities and due to/from regular banking unit		168,573,866	196,527,335

The notes on pages 1 to 13 are an integral part of these financial statements.

BPI Direct BanKo, Inc., A Savings Bank
Foreign Currency Deposit Unit

Statements of Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Interest income	2	1,904,183	754,766
Interest expense	3	(564,582)	(412,100)
Net interest income		1,339,601	342,666
Service fee income	5	111,110	139,523
Miscellaneous expenses	6	(340,508)	(376,016)
Income before income tax		1,110,203	106,173
Income tax expense	7	(287,709)	(116,780)
Net income (loss) for the year		822,494	(10,607)

The notes on pages 1 to 13 are an integral part of these financial statements.

BPI Direct BanKo, Inc., A Savings Bank
Foreign Currency Deposit Unit

Statements of Total Comprehensive Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	2023	**2022**
Net income (loss) for the year	822,494	(10,607)
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	822,494	(10,607)

The notes on pages 1 to 13 are an integral part of these financial statements.

BPI Direct BanKo, Inc., A Savings Bank
Foreign Currency Deposit Unit

Statements of Changes in Due to/from Regular Banking Unit
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	2023	**2022**
Balances at January 1	(10,607)	(713,241)
Comprehensive income		
Net income (loss) for the year	822,494	(10,607)
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	822,494	(10,607)
Transfer from regular banking unit	10,607	713,241
Balances at December 31	822,494	(10,607)

The notes on pages 1 to 13 are an integral part of these financial statements.

BPI Direct BanKo, Inc., A Savings Bank
Foreign Currency Deposit Unit

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Income before income tax		1,110,203	106,173
Adjustments for:			
Interest income on deposits with banks	2	(1,904,183)	(754,766)
Interest received on deposits with banks		1,916,598	741,745
Interest expense on deposit liabilities	3	564,582	412,100
Interest paid on deposit liabilities		(446,750)	(486,758)
Increase in other resources		(126,092)	-
Increase (decrease) in:			
Deposit liabilities		(29,230,945)	(18,745,110)
Other liabilities		326,545	1,684,907
Net cash used in operations		(27,790,042)	(17,041,709)
Income taxes paid		(287,711)	(116,780)
Net cash used in operating activities		(28,077,753)	(17,158,489)
Cash flows from financing activity			
Transfer from regular banking unit		10,607	713,241
Net decrease in cash		(28,067,146)	(16,445,248)
Cash	2		
January 1		196,509,221	212,954,469
December 31		168,442,075	196,509,221

The notes on pages 1 to 13 are an integral part of these financial statements.

BPI Direct BanKo, Inc., A Savings Bank
Foreign Currency Deposit Unit

Notes to Financial Statements
As at and for the years ended December 31, 2023 and 2022
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 General information

1.1 Business information

BPI Direct BanKo, Inc., A Savings Bank (the “Bank”) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 26, 1986 primarily to engage in and carry on the general business of savings and mortgage banking.

The Foreign Currency Deposit Unit (FCDU) license was granted to the Bank on October 31, 2008.

The Bank is a wholly-owned subsidiary of Bank of the Philippine Islands (“BPI” or the “Parent Bank”), a domestic commercial bank with an expanded banking license, which is also its ultimate parent.

The Bank’s registered office address, which is also its principal place of business, is 220 Ortigas Avenue, BanKO Center, North Greenhills, San Juan City, Metro Manila.

The Bank has 2,915 regular employees as at December 31, 2023 (2022 - 2,376).

1.2 Approval of the Bank’s financial statements

These financial statements have been approved and authorized for issuance by the Board of Directors on March 21, 2024. There are no material events that occurred subsequent to March 21, 2024 until March 27, 2024.

2 Due from other banks

The account consists of deposits with the Parent Bank amounting to P168,442,075 as at December 31, 2023 (2022 - P196,509,221).

Interest income recognized on deposits with banks amounts to P1,904,183 for the year ended December 31, 2023 (2022 - P754,766).

Due from other banks is classified as current as at December 31, 2023 and 2022.

3 Deposit liabilities

The account consists of savings deposits amounting to P145,504,618 at December 31, 2023 (2022 - P174,735,563). All are payable on demand.

Interest expense recognized on deposit liabilities amounts to P564,582 for the year ended December 31, 2023 (2022 - P412,100).

4 Other liabilities

The account at December 31 consists of:

	2023	2022
Inter-unit clearing account	22,103,361	21,691,575
Miscellaneous liabilities	17,319	102,562
	22,120,680	21,794,137

Inter-unit clearing accounts is related to the transfer of foreign currencies between regular banking unit (RBU) and FCDU and other inter-unit transactions aside from transfer of income or loss to the Bank's RBU.

Miscellaneous liabilities include withholding taxes and sundry credits.

Other liabilities are classified as current as of December 31, 2023 and 2022.

5 Service fee income

The account consists of service charges on deposit accounts for failure to meet minimum balance requirements which amount to P111,110 for the year ended December 31, 2023 (2022 - P139,523).

6 Miscellaneous expenses

The account mainly includes allocated costs from the Bank's RBU which amount to P340,508 for the year ended December 31, 2023 (2022 - P376,016).

7 Income taxes

Income subject to tax for the year ended December 31 consists of revenue generated from on-shore transactions of the FCDU.

A reconciliation between the income tax expense at the statutory income tax rate to the actual income tax expense for the years ended December 31 are as follows:

	2023		2022	
	Amount	Rate (%)	Amount	Rate (%)
Statutory income tax	277,551	25.00	26,543	25.00
Effects of items not subjected to statutory tax rate				
Non-deductible expenses	198,495	50.85	162,149	152.72
Income subjected to lower tax rates	(188,337)	(49.94)	(71,912)	(67.73)
Income tax expense	287,709	25.91	116,780	109.99

8 Related party transactions

In the ordinary course of business, the Bank has transactions with the Parent Bank and other related entities which are recognized in the FCDU books. These transactions usually arise from normal banking activities such as deposit arrangements and outsourcing of certain services primarily loans operations, branch operations and human resource-related functions. These transactions are done on an arm's length basis and are made substantially on the same terms and conditions as transactions with unaffiliated individuals and businesses of comparable risks under the same or similar circumstance.

Significant related party transactions at December 31, 2023 of the FCDU pertain to deposits with the Parent Bank amounting to P168,442,075 (2022 - P196,509,221). Related interest income is disclosed in Note 2.

9 Other commitments and contingent liabilities

There are no outstanding commitments and contingent liabilities involving the Bank's FCDU as at December 31, 2023 and 2022.

10 Financial risk and capital management

Risk management in the Bank, including the FCDU, covers all perceived areas of risk exposure, even as it continuously endeavors to uncover hidden risks. Capital management is understood to be a facet of risk management. The Board of Directors is the Bank's principal risk and capital manager and the Bank's only strategic risk taker. The Board of Directors provides written policies for overall risk management, as well as written procedures for the management of foreign exchange risk, interest rate risk, credit risk, equity risk, and contingency risk, among others.

The primary objective of the Bank is the generation of recurring acceptable returns to shareholder's capital. To this end, the Bank's policies, business strategies, and business activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its depositors, and to its various other funders and stakeholders.

To generate acceptable returns to its shareholder's capital, the Bank understands that it has to bear risk, that risk-taking is inherent in its business. Risk is understood by the Bank as the uncertainty in its future income - an uncertainty that emanates from the possibility of incurring losses that are due to unplanned and unexpected drops in revenues, increases in expenses, impairment of asset values, or increases in liabilities.

The possibility of incurring losses is, however, compensated by the possibility of earning more than expected income. Risk-taking is, therefore, not entirely a bad step to be avoided. Risk-taking presents opportunities if risks are accounted, deliberately taken, and are kept within rationalized limits.

The Risk Management Office is responsible for the management of market and liquidity risks. Its objective is to minimize adverse impact on the Bank's financial performance due to the unpredictability of financial markets.

Market and credit risks management in the Bank is carried out through policies approved by the Risk Management Committee and the Board of Directors. In addition, Internal Audit is responsible for the independent review of risk assessment measures and procedures and the control environment. For risk management purposes, risks emanating from Treasury activities are managed independently.

The most important risks that the Bank manages are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency exchange risk, interest rate and other price risks.

10.1 Credit risk

The Bank, including the FCDU, takes on exposure to credit risk, which is the risk that may arise if a borrower or counterparty fails to meet its obligations in accordance with agreed terms. Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk as governed by relevant regulatory requirements and international benchmarks.

Credit exposure in the FCDU arises principally from financial assets at amortized cost consisting of Due from other banks. The Credit Policy Group works with the Credit Committee in managing credit risks, and reports are regularly provided to the Board of Directors.

The maximum credit risk exposure relates to Due from other banks which amounts to P168,442,075 as at December 31, 2023 (2022 - P196,509,221), which are deposited in a reputable bank and are considered fully performing (Note 2). Deposits are made in a reputable bank with good credit ratings. Management has determined that there is a low risk of default on these deposits and has assessed that the said counterparty has strong capacity to meet its contractual cash flow obligations in the near term. Low credit risk assets are at a minimum subject to 12-month expected credit loss (ECL). Based on its assessment, management has ascertained that the corresponding 12-month ECL is not material for financial reporting purposes as at December 31, 2023 and 2022.

10.2 Market risk

The Bank, including the FCDU, is exposed to market risk, the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk management is incumbent on the Board of Directors through its Risk Management Committee.

9.2.1 Interest rate risk

There are two types of interest rate risk: (i) fair value interest rate risk and (ii) cash flow interest rate risk. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Bank, including the FCDU, takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates. Interest margins may increase as a result of such changes but may also result in losses in the event that unexpected movements arise.

The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Risk Management Office.

Interest rate risk in the banking book arises from the Bank's core banking activities. The main source of this type of interest rate risk is repricing risk, which reflects the fact that the Bank's assets and liabilities are of different maturities and are priced at different interest rates.

The FCDU's financial assets and liabilities as at December 31 are all non-repricing and are broken down as follows:

	2023	2022
Financial assets		
Due from other banks	168,442,075	196,509,221
Other resources	131,791	18,114
Total financial assets	168,573,866	196,527,335
Financial liabilities		
Deposit liabilities	145,504,618	174,735,563
Accrued interest payable	126,074	8,242
Total financial liabilities	145,630,692	174,743,805
Total interest repricing gap	22,943,174	21,783,530

9.2.2 Foreign currency exchange risk

Foreign currency exchange risk is being managed on a Bank-wide basis. As at December 31, 2023 and 2022, the FCDU of the Bank is not engaged in transactions denominated in currencies other than its functional currency, US Dollar. Accordingly, it has no exposure to foreign currency exchange risk.

10.3 Liquidity risk

Liquidity risk is the risk that the Bank, including the FCDU, is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

The Bank's liquidity management process, as carried out within the Bank and monitored by the Risk Management Committee and the Risk Management Office includes:

- day-to-day funding, which includes replenishment of funds as they mature or are borrowed by customers, managed by monitoring future cash flows to ensure that requirements can be met;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- managing the concentration and profile of debt maturities; and
- performing periodic liquidity stress testing on the Bank's liquidity position by assuming a faster rate of withdrawals in its deposit base.

Monitoring and reporting take the form of cash flow measurement and projections for the next days, weeks and months as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Sources of liquidity are regularly reviewed by the Bank to maintain a wide diversification by currency, geography, counterparty, product and term. Assets available to meet all of the liabilities include due from other banks. The Bank would also be able to meet unexpected net cash outflows by accessing additional funding sources.

The FCDU's financial liabilities at December 31, 2023, which consist of savings deposits and accrued interest payable amounting to P145,504,618 and P126,074, respectively, (2022 - P174,735,563 and P8,242, respectively), have no stated maturity and are repayable on demand.

The Bank has sufficient liquid assets (mainly Due from other banks) to meet its financial liabilities as at December 31, 2023 and 2022.

Liquidity Coverage Ratio (LCR)

Pursuant to Bangko Sentral ng Pilipinas (BSP) Circular No. 905 issued in 2016, the Bank is required to hold and maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that are sufficient to meet its estimated total cash outflows over a 30 calendar-day period of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. It is designed to promote short-term resilience of the Bank's liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days. HQLA represent the Bank's stock of liquid assets that qualify for inclusion in the LCR which consist mainly of cash, regulatory reserves and unencumbered high-quality liquid securities. HQLAs therefore, serve as defense against potential stress events.

The main drivers of the Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits, unsecured borrowings and commitment facilities, if any.

Net Stable Funding Ratio (NSFR)

On January 1, 2019, the Bank adopted BSP Circular No. 1007 issued in 2018 regarding the NSFR requirement. The NSFR is aimed at strengthening the Bank's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items as well as to limit the maturity transformation risk of the Bank. The NSFR is expressed as the ratio of available stable funding and the required stable funding and complements the LCR as it takes a longer view of the Bank's liquidity risk profile. The Bank's capital, retail deposits and long-term debt are considered as stable funding sources whereas the Bank's assets including, but not limited to, performing and non-performing loans and receivables, HQLA and non-HQLA securities as well as off-balance items form part of the required stable funding. The Bank's NSFR is well-above the regulatory minimum of 100%.

The Bank maintains a well-diversified funding base and has a substantial amount of core deposits, thereby avoiding undue concentrations by counterparty, maturity, and currency. The Bank manages its liquidity position through asset-liability management activities supported by a well-developed funds management practice as well as a sound risk management system. As part of risk oversight, the Bank monitors its liquidity risk on a daily basis, in terms of single currency and significant currencies, to ensure it is operating within the risk appetite set by the BOD and to assess ongoing compliance with the minimum requirement of the liquidity ratios. Furthermore, the Bank has a set of policies and escalation procedures in place that govern its day-to-day risk monitoring and reporting processes.

The table below shows the actual liquidity metrics of the Bank (combined RBU and FCDU) as at December 31:

	2023	2022
Liquidity coverage ratio	133.97%	231.13%
Net stable funding ratio	135.91%	137.00%
Leverage ratio	10.83%	16.30%
Total exposure measure	43,493,133,715	22,381,413,480

10.4 Fair values of financial assets and liabilities

As at December 31, 2023 and 2022, the carrying value of the financial asset and liabilities approximates its fair value.

There are no financial assets and liabilities measured at fair value as at December 31, 2023 and 2022.

Due from other banks

The fair value of floating rate placements and overnight deposits approximates their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

Deposit liabilities

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The carrying amount of deposit liabilities approximates their fair value due to the short-term nature of these instruments.

Other resources/liabilities

Carrying amounts of other resources/liabilities which have no definite repayment dates are assumed to be their fair values.

10.5 Capital management

Capital management is understood to be a facet of risk management. The primary objective of the Bank, including the FCDU, is the generation of recurring acceptable returns to shareholder's capital. To this end, the Bank's policies, business strategies and activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its depositors, and to its various funders and stakeholders.

Cognizant of its exposure to risks, the Bank understands that it must maintain sufficient capital to absorb unexpected losses, to stay in business for the long haul, and to satisfy regulatory requirements. The Bank further understands that its performance, as well as the performance of its various units, should be measured in terms of returns generated vis-à-vis allocated capital and the amount of risk borne in the conduct of business.

Effective January 1, 2014, the BSP, through its Circular 781, requires each bank and its financial affiliated subsidiaries to adopt new capital requirements in accordance with the provisions of Basel III. The new guidelines are meant to strengthen the composition of the Bank's capital by increasing the level of core capital and regulatory capital. The Circular sets out minimum Common Equity Tier 1 (CET1) ratio and Tier 1 Capital ratios of 6% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed. The minimum required capital adequacy ratio (CAR) remains at 10% which includes the capital conservation buffer.

The table below summarizes the Bank's CAR (combined RBU and FCDU) under the Basel III framework for the years ended December 31:

	2023	2022
Tier 1 capital	5,426,916,061	4,165,669,372
Tier 2 capital	263,664,096	141,119,944
Gross qualifying capital	5,690,580,157	4,306,789,316
Less: Required deductions	717,783,527	517,531,626
Total qualifying capital	4,972,796,630	3,789,257,690
Risk weighted assets	33,686,718,954	20,571,489,815
CET1	13.98%	17.73%
CAR (%)	14.76%	18.42%

The Bank has fully complied with the CAR requirement of the BSP as at December 31, 2023 and 2022.

11 Summary of material accounting policies

The accompanying financial statements reflect the accounts maintained by the FCDU of the Bank. The material accounting policies applied in the preparation of the financial statements of the FCDU of the Bank are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

11.1 Basis of preparation

The financial statements of the Bank's FCDU have been prepared in accordance with the reporting guidelines of the BSP. In general, the said guidelines as they relate to the preparation and presentation of the FCDU financial statements of banks, include all applicable Philippine Financial Reporting Standards (PFRSs), Philippine Accounting Standards (PAS), and interpretations approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC, except with respect to the determination and translation of functional currency as discussed in Note 11.6.

The financial statements of the FCDU of the Bank have been prepared under the historical cost convention.

The financial statements comprise the statements of condition, statements of income and statements of total comprehensive income shown as two statements, statements of changes in due to regular banking unit, statements of cash flows and the notes.

The preparation of financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

11.1.1 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the Bank's FCDU

The Bank's FCDU has adopted the following amendments to existing standards effective January 1, 2023:

- Amendments to PAS1, 'Presentation of Financial Statements', and PFRS Practice Statement 2

  The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

  To support these amendments, PFRS Practice Statement 2, Making Materiality Judgements, was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The adoption of these amendments resulted to changes in the accounting policies disclosure in Note 11 series.

(b) Amendments to existing standards that are not yet effective and not early adopted by the Bank

There are no new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning after January 1, 2023 that are considered relevant or expected to have a material effect on the financial statement of the Bank.

11.2 Financial assets

11.2.1 Classification

The Bank, including the FCDU, classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income (FVOCI); and
- those to be measured at amortized cost.

The classification depends on the Bank's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at FVOCI, gains and losses will be recorded other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Bank, including the FCDU, has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

11.2.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Bank commits to purchase or sell the asset.

11.2.3 Measurement

The classification requirements for debt and equity instruments are described below:

The Bank classifies its debt instruments at amortized cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Amortized cost financial assets of the FCDU as at December 31, 2023 and 2022 include due from other banks (Note 2) and other resources.

Cash and cash equivalents consist of deposits with the Parent Bank.

Business model: The business model reflects how the Bank, including the FCDU, manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Bank, including the FCDU, in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank, including the FCDU, assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank, including the FCDU, considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The FCDU reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

11.2.4 Impairment and write-off

The Bank, including the FCDU, assesses on a forward- looking basis the expected credit losses (ECL) associated with its debt instrument assets carried at FVOCI and amortized cost. The Bank, including the FCDU, recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The FCDU's financial assets pertain to due from other banks and other resources. The FCDU applies the simplified approach, as permitted by PFRS 9, in measuring ECL which uses a lifetime expected loss allowance for other financial assets. To measure the expected credit losses, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables over a period of 36 months and corresponding historical credit losses experienced within this periods. The forward- looking information on macroeconomic factors are considered insignificant in calculating impairment of the FCDU's financial assets.

Write-off

Financial assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the FCDU and a failure to make contractual payments for a period of greater than 120 days past due.

11.3 Financial liabilities

11.3.1 Classification

The Bank, including the FCDU, classifies its financial liabilities at amortized cost.

Financial liabilities measured at amortized cost include deposit liabilities and accrued interest payable.

11.3.2 Recognition and measurement

Initial recognition and measurement

Financial liabilities at amortized cost are initially recognized at fair value less transaction costs.

Subsequent measurement

Financial liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method.

11.3.3 Derecognition

A financial liability is removed from the statement of condition when it is extinguished, i.e., when the obligation is discharged or is canceled or expires.

11.4 Fair value measurement

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

11.5 Interest income and expense

Interest income and expense are recognized using the effective interest rate method.

When calculating the effective interest rate, the Bank, including the FCDU, estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss.

11.6 Foreign currency translation

Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the FCDU operates (the “functional currency”). In accordance with BSP Circular 601, series of 2008, the functional currency of the FCDU is US Dollar while the financial statements are presented in Philippine Peso (the “presentation currency”).

For financial reporting purposes and following the requirements under Section 84 of the Manual of Regulations on Foreign Exchange Transactions (MORFXT), the functional currency of the Bank’s FCDU is the US Dollar. The FCDU accounts are translated into their equivalent amounts in Philippine Peso. In determining the presentation currency of the FCDU, the Bank’s management considered the primary users of these financial statements. These financial statements are prepared mainly for submission to the BSP and for filing with the Bureau of Internal Revenue along with the annual income tax return of the FCDU, which is also presented in Philippine Peso. Consistent with the provision of PAS 21, The Effects of Changes in Foreign Exchange Rates, the Bank’s FCDU adopts Philippine Peso as its presentation currency.

The results and financial position of the FCDU are translated into Philippine Peso as follows:

- resources and liabilities are translated at closing rate at year-end;
- income and expenses are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are taken to statement of total comprehensive income under cumulative translation adjustment.

Management assessed that the impact of the translation adjustment is insignificant and decided not to present the cumulative translation adjustment separately in the FCDU’s financial statements as at December 31, 2023 and 2022.

11.7 Service fee income

The Bank, including the FCDU, recognizes revenue when (or as) the Bank satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

Fees and commissions are generally recognized over time when the service has been provided and the control over the service is transferred to the customer. The service being rendered by the Bank represents a single performance obligation.

Fees and commissions, mainly representing service fees, are recognized on an accrual basis when the service has been provided. Fees and commission arising from loans, deposits and other banking transactions are recognized as income based on agreed terms and conditions.

11.8 Income taxes

Income earned by the FCDU is taxed as follows: (a) offshore income is tax-exempt, (b) gross onshore income is taxed at 10%, and (c) all other income not classifiable as onshore or offshore is subject to the regular corporate tax rate of 25% of net taxable income.

Income derived by the FCDU from foreign currency transactions with local commercial banks, including branches of foreign banks authorized by the BSP to transact business with the FCDU is subject to 10% final tax. Also, interest earned on deposits with foreign currency denominated units of other banks is subject to 15% final tax.

11.9 Expense allocation

Certain expenses of the Bank are allocated to the FCDU which takes into consideration the specific transactions of the FCDU.