BanKo

A subsidiary of BPI

Annual Report 2022

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.

OUR BUSINESS

BPI Direct BanKo, Inc. (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.

Through its core product NegosyoKo Loan, BanKo was able to release a total of ₱10.61 billion loans to almost 150,000 SEMEs in 2022, growing it loan portfolio by 21%. The bank continues to be the country's second largest microfinance bank, with a 20% market share in microfinance loans among Philippine banks. To further address the unique needs of the SEMEs, BanKo introduced additional cutting-edge financing innovations, including:

- JFC Agri Loan Financing, a financing mechanism specifically designed for small-scale farmers with an incentivized collective loan repayment interest rate
- NegosyoKo Lite, an affordable and accessible loan product for as low as PHP 10,000

When Typhoons Carding and Paeng struck parts of Luzon, Visayas, and Mindanao, BanKo was quick on its feet to offer moratorium to qualified borrowers.

While micro-enterprises remain to be the core target market, BanKo has expanded its reach to include the salaried and informal workers and address their savings and payment needs. As champion of financial inclusion, the bank enhanced its digital account opening, allowing individuals to open a savings account in real-time, and without having to go to a physical branch.

BanKo looks to continue expanding and strengthening its customer touchpoints to further promote inclusive growth across the country. As of year-end 2022, BanKo has grown its network to 317 branches and branch-lite units nationwide – 99% of which are in the provinces. BanKo is in 74 out of 81 provinces, with branches in 117 cities and 192 municipalities, BanKo being the sole representative of BPI in 152 of these areas. BanKo also has a network of 800 Cash Agents doors providing its clients the ease of cashing in and out and making loan repayment and make these networks loan referral centers for the bank.

BanKo has over 1,700 loan officers and associates dubbed as "BanKoMares" and "BanKoPares", who have established direct customer relationships and who are trained to conduct financial literacy discussions during the release of loan proceeds. 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 doing its business, BanKo get to empower the market it serves, and fulfill its mission of becoming the trusted partner of the masang Pilipino, giving them a better life today, and tomorrow, through easy access to affordable financial solutions.

BanKo's Product Overview

BanKo serves its clients and the communities where it operates through products and services that promote financial inclusion, sustainable development, and nation-building.

NEGOSYOKO LOAN

BanKo's core product is NegosyoKo Loan, a micro-business loan for SEMEs with loan amount of ₱25,000 up to ₱300,000.00 and tenor ranging from 6 to 36 months. Through NegosyoKo Loan, the bank serves the SEMEs from C and D classes who are looking for easy and convenient access to additional working capital or solution business expansion needs. The SEMEs' microbusinesses fall under the following categories: wholesale and retail trading (market stalls, sari-sari stores), manual services (hairdressers, auto repair shop owners, tailors), food services (mini-eateries and bakeries), manufacturing (furniture, handicrafts), and agriculture (animal product farming).

BanKo, as champion of financial inclusion, provides holistic solutions to its customers. The bank bundled NegosyoKo Loan with a microinsurance product, Secure Assist that provides cash assistance for damaged properties caused by flooding.

NEGOSYOKO LITE

In 2022, BanKo introduced a digitally assisted loan and through NegosyoKo Lite. NegosyoKo Lite caters to SEMEs who need a small amount of cash or enough funds to operate their existing businesses. With this product, applicants may avail themselves of a loan amount of ₱10,000, ₱15,000, or ₱25,000 with tenor of 2 to 6 months with 0% interest through the BanKo Mobile app, allowing prospective applicants to apply for a loan with, without leaving their homes/business location.

FOR THE FARMERS

JFC Agri Loan Financing is an innovative financing mechanism specifically designed for small-scale farmers who formally act as suppliers to BPI corporate client Jollibee Foods Corporation. Through this product, small farmers (working on an average land size of 0.6 hectares) are given access to more affordable financing (vs other lenders), as incentivized by a collective repayment rate that rewards on-time payment of amortization. As of 2022, BanKo has released a total of PHP 4.28 million in loans to 58 small onion farmers. All of these were disbursed one to two months ahead of planting season, giving the farmers ample time to source, purchase, and plant their farm inputs such as seeds and fertilizers, especially at a precarious time when onion supply in the Philippines is scant.

PONDOKO SAVINGS ACCOUNT

PondoKo Savings is an app-based, interest-bearing basic deposit account with no maintaining balance that enables clients to build up their funds and manage their cash flow. Through PondoKo Savings, clients can also conveniently conduct banking transactions such as Buy Load, Send Money, Pay Bills, and Pay Loan via BanKo Mobile.

TODO SAVINGS

BanKo also launched TODO Savings, for Filipino individuals who want to start their savings journey. TODO Savings is a high-interest digital savings account that gives an interest of 4% per annum with deposits up to ₱50,000, which is 60x higher than a regular savings account. To make it more accessible to every Filipino, it allows opening an account through the BanKo Mobile app in just five (5) minutes with only one (1) valid government ID.

BANKO MOBILE APP

The pandemic still poses mobility restrictions and amplifies the accessibility challenge of the market BanKo serves. To help customers cope, BanKo enhanced the functionalities of its BanKo Mobile app, which provides customers with 24/7 access to their accounts. The enhanced BanKo Mobile app allowed borrowers to pay their loans even during lockdowns when they could not visit the branch or when collectors could not visit them in their stores.

FINANCIALS AND OPERATING HIGHLIGHTS

	2022	2021	Change
BALANCE SHEET (in Php mn)			
Assets	22,448	18,477	21.5%
Treasury Assets	5,487	6,066	-9.6%
Net Loans	15,679	10,967	43.0%
Deposits	16,792	14,277	17.6%
Equity	4,181	3,202	30.6%
INCOME STATEMENT (in Php mn)			
Net Interest Income	3,958	3,261	21.4%
Non-Interest Income	657	556	18.2%
Net Revenues	4,615	3,817	20.9%
Operating Expenses	2,604	2,648	-1.7%
Pre-Provision Profit	2,011	1,169	72.0%
Impairment Losses	701	570	23.2%
Net Income	978	349	**180.2%**
FINANCIAL INDICATORS			
Profitability	-	-	-
Return on Equity	25.3%	11.7%	117.4%
Return on Assets	5.1%	1.8%	182.4%
Margin and Liquidity		-	
Net Interest Margin	22.9%	19.1%	19.9%
Net Loans to Deposit Ratio	93.4%	76.8%	21.6%
Leverage Ratio	16.30%	14.40%	1.90%
Liquidity Coverage Ratio	248.70%	308.80%	-60.10%
Net Stable Funding Ratio	1.37	1.68	-0.31%
Cost Efficiency		-	
Cost to Income Ratio	56.4%	69.4%	18.7%
Cost to Average Asset Ratio	13.7%	13.8%	-0.8%
Asset Quality		-	
NPL Ratio	8.6%	11.3%	-23.9%
NPL Cover	90.8%	88.0%	3.1%
Capital Leverage		-	
CET1 Ratio	17.7%	17.1%	3.4%
Capital Adequacy Ratio	18.4%	17.8%	3.4%
DISTRIBUTION NETWORK AND MANPOWER			
Branches/Branch - Lite Units	317	307	3.3%
Employees	**2,580**	**2,727**	**-5.4%**
Officers	709	726	-2.62%
Staff	1,871	2,001	-6.40%

BUSINESS REVIEW AND CLIENT TESTIMONIAL

FINANCIAL PERFORMANCE

Total Resources of the Bank increased by 21.49% or P18.47Bn to P22.45Bn in 2022.

Loans and Receivables expanded by 43% with loans booking growing by 49% contributed by our Personal and Microfinance loans.

Deposit increased by 18% or P14.28Bn to P16.79Bn year on year.

Net interest income increased 21.4% or P697Mn with interest income coming from loans growing by 20% or P669Mn as a result of growing loan portfolio.

As of the end of 2022, consolidated common equity tier 1 ratio stood at 17.7% and capital adequacy ratio was at 18.4%. These ratios are well above minimum regulatory requirements, with an adequate buffer to support the Bank's operations.

NPL levels were reported in accordance with BSP relief guidelines, Circular 941.

Overcoming limitations through digitalization.

Digitalization empowered BanKo to overcome limitations and revolutionize the BanKo experience. By leveraging innovative technologies and digital platforms, BanKo transcended geographical boundaries, bringing financial services to customers beyond physical branches. Convenience is elevated as customers can access banking services anytime, anywhere, through BanKo Mobile App. Manual processes are replaced by automation, streamlining operations, reducing errors, and enhancing efficiency. Real-time data sharing enables faster decision-making, personalized offerings, and improved customer experiences. Ultimately, digitalization paves the way for a future where BanKo products and services are accessible, efficient, secure, and tailored to individual needs, driving positive change and transforming the BanKo experience as we know it.

In 2022, BanKo unlocked a seamless banking experience with Straight Through Onboarding. Clients can open BanKo accounts in 5 minutes with just one valid ID. They can access the different services of BanKo like send money to other banks, pay bills, buy load, and pay their NegosoKo Loans through the BanKo Mobile App. No more paperwork and physical visit to the branch. BanKo will continue to deliver convenience, security, and digital excellence to our clients.

With TODO Savings, our clients have the option to grow their savings faster with its 4% interest feature. Clients can maximize their earnings while enjoying convenience and security.

We also launched our interest-free loan product, NegosyoKo Lite. Clients can borrow Php 10,000, Php 15,000 or Php 25,000 with flexible payment terms up to 6 months. No interest and no hassle. Clients will just apply through our BanKo Mobile App to avail of the loan.

CLIENT TESTIMONIAL

A TASTE OF INCLUSIVE BANKING

Elizabeth “Laza” Arocena has been in business for most of her life, assisting her parents with their enterprise as a young girl.

Eventually, Laza and her husband put up their own chicharon business. She recalls selling their bicycle and pet dog to be able to buy a whole pig. They also shared her mother’s small stall space inside the public market of Camiling, Tarlac to sell their chicharon products. The couple eventually got their own space.

It was business as usual since then until her products were featured by a morning show on national television, triggering a surge in orders and the need for additional capital to meet the spike in demand from newfound customers.

Laza, then, turned to informal lenders. They would easily give her the money she needs, but there was a catch – payments had to be made everyday – which restricted her cash flow.

One day, she learned of BanKo from fellow market vendors, who were bank clients. Upon expressing interest, a team from BanKo’s Camiling branch visited her stall. Laza was delighted by the terms of BanKo’s loan compared to that of informal lenders.

“Once a week lang ang hulog, napapa-ikot ko pa yung pera,” Laza says. Laza certainly welcomed this development since it gives her liquidity, considering that sales are not always high daily.

On top of the payment terms, she favors BanKo’s loan terms over that of other banks – a testament to how BanKo champions financial inclusion, especially in the countryside.

“Malaki rin ‘yung unang binigay sa akin ng BanKo. Natutuwa ako kasi walang collateral ‘tsaka mura lang ang hulog. Kasi kung sa ibang bangko ‘yan, ‘yung collateral, sabi nila titulo ng lupa o sasakyan. Siyempre, ang hirap naman,” she says.

Since signing up, Laza has availed four loans from BanKo.

With BanKo’s support, Laza has become more motivated to give her best to customers, including those in Metro Manila, where she gets 70 kilos of orders twice a month. She also is considering putting up another branch in Tarlac City.

BanKo Driven by Sustainability and Excellence

The microfinance loans business of BanKo contributes to Sustainability Development Goal 8, or the provision of decent work and economic growth among Filipinos, by providing affordable source of additional capital for the micro-businesses of borrowers, spurring growth, and increasing their number of employees. In 2022, BanKo facilitated additional investment to 149,138 businesses, which is 11% higher compared to 2021. Of the total businesses who benefited from the BanKo NegosyoKo Loan program, 75% are owned by women. BanKo’s customers also include farmers to support their agricultural needs.

The continuous drive of BanKo for excellence has been recognized for the past years. Most recently, the government-managed Home Development Mutual Fund, commonly known as the Pag-IBIG Fund, awarded the Top Three Employer for Short Term Loan (STL) and Top Employer for STL to BanKo on December 16, 2021, and December 09, 2022, respectively.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PHILOSOPHY

The Board of Directors and Management, employees and shareholders of BPI Direct BanKo, Inc., A Savings Bank (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 the necessary 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 long-term 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

Tenure: Appointed Chairman – 2020 to present
Appointed Non-Executive Director – November 2018 to December 2019
Age: 61, born 1962
Nationality: Filipino

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 took the position of President for BPI Card Corporation, the BPI's credit card subsidiary where she won the prestigious Agora Award-2000 Marketing Company of the Year. In 2005, Ms. Ocampo was then cross-posted to BPI's Consumer Banking Group as Head of Kiosk Banking and Head of Personal Banking. She also became the Chief Marketing Officer of BPI from 2008 until 2014 where she was responsible for retooling the Bank's data warehouse and customer analytics capabilities into its distinct competitive advantage. Ms. Ocampo also developed the Bank's CRM initiatives on top of driving the BPI's advertising and digital initiatives across the breadth of products, channels and services. In 2015, she became the Payments and Remittance group head, and was tasked to grow fee revenue via expanding existing businesses and developing new payment platforms.

Prior to joining BPI, Ms. Ocampo gained over 10 years of marketing experience in Procter & Gamble and Johnson & Johnson Australia and the Philippines, where she led the expansion of J&J's Health Care, Baby Care, and Sanitary Protection business. Ms. Ocampo graduated magna cum laude and received her Bachelor of Science in Business Management, Honors Program at Ateneo de Manila University. She also completed the Advanced Management Program at the Harvard Business School in 2007.

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

Tenure: Appointed Non-Executive Director – June 22, 2022
Age: 69, born 1953
Nationality: Filipino

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

Tenure: Appointed Independent Director – June 2018 to present
Age: 78, born 1945
Nationality: Filipino

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 Bank of the Philippine Islands, BPI Capital Corporation and BPI Asset Management & Trust Corporation (also known as BPI Wealth). 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.

Cezar P. Consing
Position: Non-Executive Director

Tenure: Appointed Non-Executive Director – April 2021 to present
Age: 63, born 1959
Nationality: Filipino

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

Tenure: Appointed Independent Director – February 2017 to present
Age: 61, born 1962
Nationality: Filipino

Mr. De Luzuriaga is the Chairman of the Bank's Risk Management Committee and member of the Audit Committee and the Nominations Committee. Mr. De Luzuriaga is the Group Investment Officer, Group Chief Finance Officer and Business Development Committee Chairman of Inquirer Group of Companies as well as the President of LINQ Information Entertainment Quadrant Corporation (Philippines). He serves as an Independent Director of Ayala Plans Inc., BPI Century Tokyo Lease and Finance Corporation and BPI BPI Century Tokyo Rental Corporation.

Mr. De Luzuriaga graduated with a BS Management degree from the University of the Philippines in 1983.

Jerome B. Minglana
Position: Executive Director, President

Tenure: Appointed President – January 2017 to present
Age: 49, born 1973
Nationality: Filipino

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

Tenure: Appointed Non-Executive Director – February 2017 to present
Age: 71, born 1951
Nationality: Filipino

Mr. Montinola is 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

Tenure: Appointed Independent Director – February 2016 to present
Age: 77, born 1946
Nationality: Filipino

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.

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

Tenure: Appointed Non-Executive Director – February 2020 to present
Age: 31, born 1990
Nationality: Filipino

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 Committees

Chairman	Marie Josephine M. Ocampo
Members	Natividad N. Alejo* Gerardo C. Ablaza, Jr** Ignacio R. Bunye (Independent) Cezar P. Consing Jose Ferdinand B. De Luzuriaga (Independent) Jerome B. Minglana Aurelio R. Montinola III Jesus V. Razon, Jr. (Independent) Jaime Alfonso Antonio E. Zobel de Ayala

*Board member until 22 June 2022
**Elected as Board member effective 22 June 2022

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	Natividad N. Alejo* Gerardo C. Ablaza, Jr** Jose Ferdinand B. De Luzuriaga (Independent)

* Committee member until 22 June 2022
**Committee member effective 22 June 2022

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

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

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	Aurelio R. Montinola III Jesus V. Razon Jr. (Independent)

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	Natividad N. Alejo* Gerardo C. Ablaza, Jr** Ignacio R. Bunye (Independent)

* Committee member until 22 June 2022
**Committee member effective 22 June 2022

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 Board's full-year attendance at the 2022 Board Meetings and Committee Meetings are outlined as follows:

BOARD

NAME OF DIRECTOR	NO. OF MEETINGS	NO. OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Gerardo C. Ablaza, Jr. *	7	7	100%
Natividad N. Alejo **	6	5	83%
Ignacio R. Bunye	12	12	100%
Cezar P. Consing	12	12	100%
Jose Ferdinand B. de Luzuriaga	12	12	100%
Jerome B. Minglana	12	12	100%
Aurelio R. Montinola III	12	8	67%
Marie Josephine M. Ocampo	12	12	100%
Jesus V. Razon, Jr.	12	12	100%
Jaime Alfonso Antonio E. Zobel de Ayala	12	10	83%

*Board member until 22 June 2022
**Elected as Board member effective 22 June 2022

AUDIT COMMITTEE

NAME OF DIRECTOR	NO. OF MEETINGS	NO. OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Jesus V. Razon, Jr.	6	6	100%
Jose Ferdinand B. de Luzuriaga	6	6	100%
Gerardo C. Ablaza, Jr.*	3	3	100%
Natividad N. Alejo**	3	2	67%

RISK MANAGEMENT COMMITTEE

NAME OF DIRECTOR	NO. OF MEETINGS	NO. OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Jose Ferdinand B. De Luzuriaga	6	6	`100%
Ignacio R. Bunye	6	6	100%
Gerardo C. Ablaza, Jr.*	3	3	100%
Natividad N. Alejo**	3	2	67%

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	2	2	100%
Jesus V. Razon, Jr.	2	2	100%

NOMINATION COMMITTEE

NAME OF DIRECTOR	NO. OF MEETINGS	NO. OF MEETINGS ATTENDED	ATTENDANCE PERCENTAGE
Jose Ferdinand B. De Luzuriaga	1	1	100%
Aurelio R. Montinola III	1	1	100%
Marie Josephine M. Ocampo	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%
Aurelio R. Montinola III	1	0	0%
Jesus V. Razon, Jr.	1	1	100%

*Elected as Committee member effective 22 June 2022
**Committee member until 22 June 2022

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.

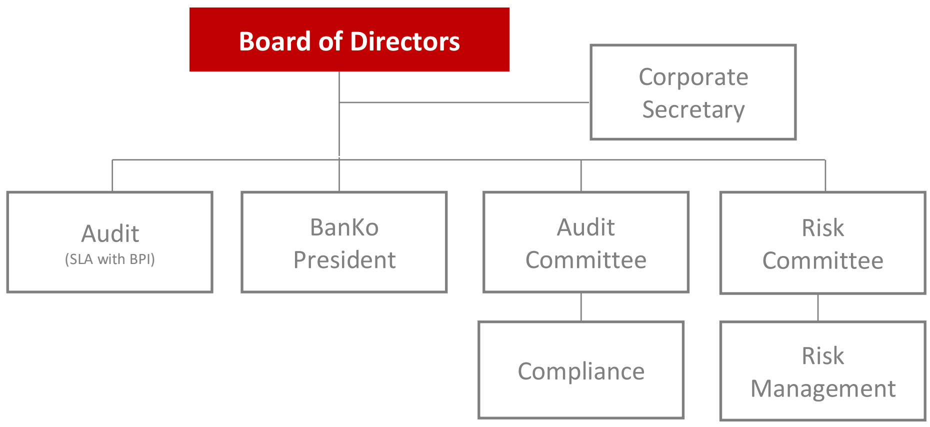
Related Party Transactions

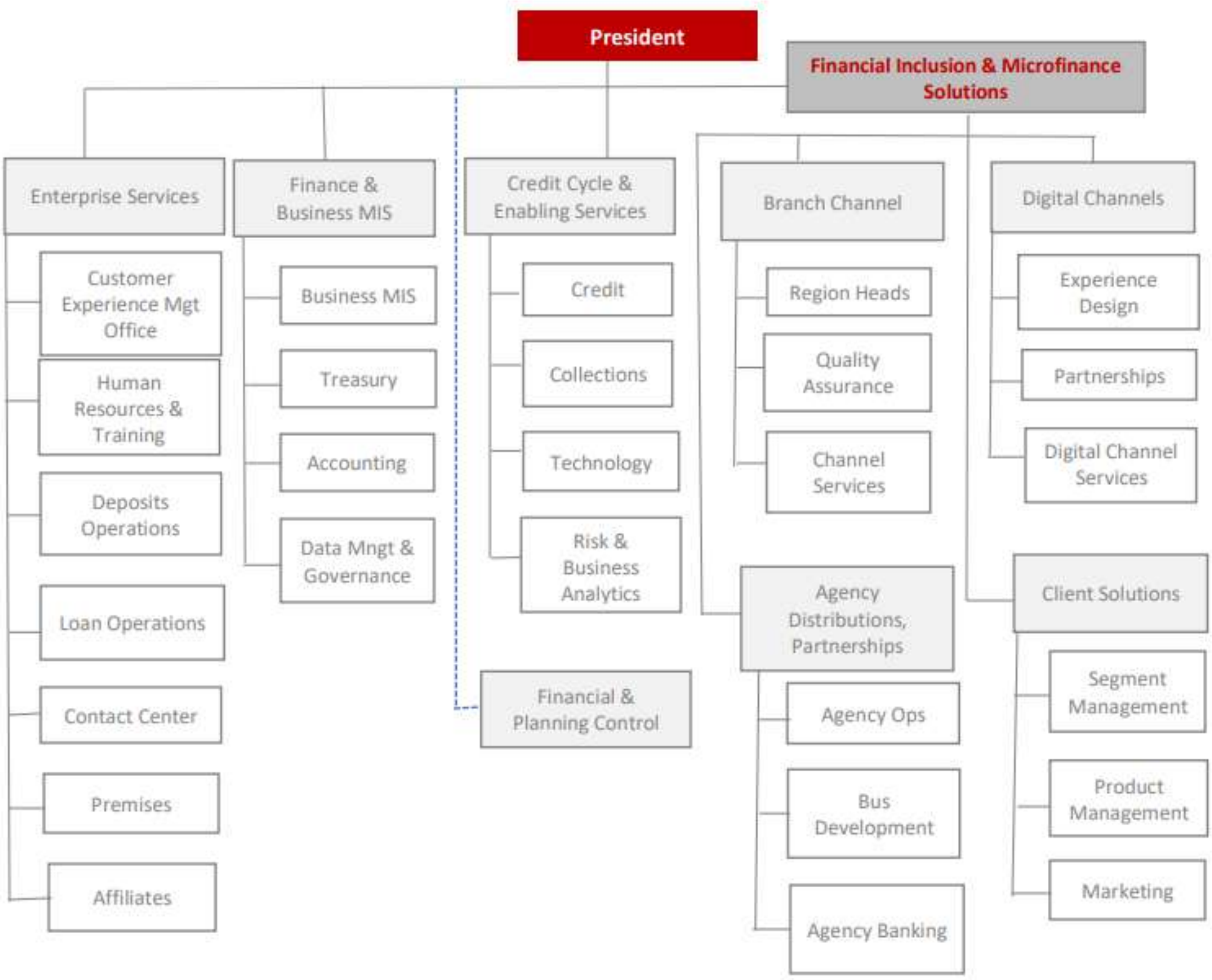
As part of the Bank's effort to ensure that transactions with related parties are normal banking activities and are done at arm's length, vetting is done either by the BanKo Management Vetting Committee, the Board-level Corporate Governance Committee or the BPI Related Party Transaction Committee, depending 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, 2022):

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.

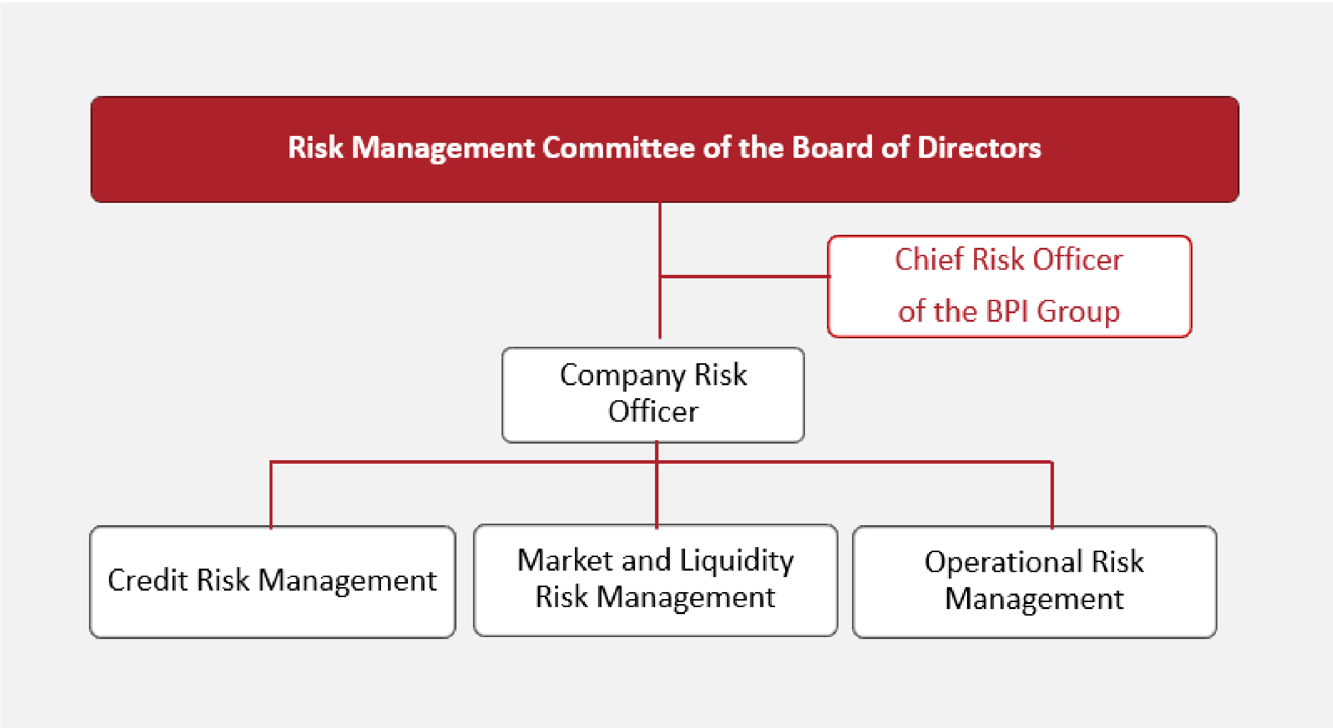
It collaborates with other assurance providers such as the Risk Management Office, Compliance Office, external auditors, and other oversight units for a comprehensive review of risks and compliance in the institution, and ensures that business units proactively manage the risk and compliance exposures.

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 identify, measure, control, and monitor significant financial and non-financial risk exposures, ensure adequate liquidity, and set aside sufficient amounts of capital to cover and mitigate such risks. The framework 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 reflects the Bank's internal standards as guided by the regulatory directives issued by the BSP in promoting effective risk management governance, implementing robust business continuity and operational resiliency standards that are regularly tested, and performing the internal capital adequacy assessment and other risk management processes. (Recommendation 2.11, 12.4 SEC CG Code for PLCs)

Risk management in BanKo follows a top-down approach, with risk appetite setting and overall risk strategy emanating from the Board of Directors (Board). The Board fulfills its risk management function through the Risk Management Committee (RMCom). The RMCom defines risk appetite statements at functional risk areas and reviews risk management structures, metrics, limits, and issues of the Bank, and directs the Bank's risk strategy framework anchored on sound risk management governance, value-enhancing risk methods and processes, and risk-intelligent data and technology. It oversees and manages risks and monitors regulatory and internal capital adequacy vis-à-vis risk exposures. It promotes a strong risk culture and exercises oversight through the Bank's Risk Management Office. It manages risks through clearly-delineated functions to ensure effective risk management governance and control processes across the Bank using the "three lines of defense" model. This model defines the risk management responsibilities of each unit owning and managing the risk (1st line), overseeing risk management function (2nd line), or providing independent assurance on the quality and effectiveness of risk management and internal controls (3rd line).

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. In order to achieve our responsibilities to clients, employees, stakeholders, regulators and country, it exercises proactive and prudent risk management.

Chief Risk Officer (CRO). The CRO of the BPI Group, thru the Bank's Company Risk Officer, leads the formulation of risk management policies and methodologies in line with overall business strategy. The CRO thru the BanKo Risk Officer, who is primarily responsible for the overall management of the Bank's total risk, ensures that risks are prudently and rationally taken, within our risk appetite, and commensurate with returns on capital. Our risk appetite is a careful measure of the amount of risk it is willing to assume in order to achieve business objectives. Risk appetite statements are regularly reviewed and approved by the Board through the RMCom.

The CRO and the Company Risk Officer is supported by the Risk Management Office (RMO), a team of skilled risk managers dedicated to identifying, measuring, controlling, and monitoring the BPI Group's risk exposures. Our risk managers keep abreast of industry developments, emerging risks, and risk management best practices through continuous and adequate training. The CRO and the RMO actively engage the RMC, Management, and business units to effectively communicate through various internal channels the Bank's risk culture, risk awareness campaigns and learning programs, and risk management best practices. (Recommendation 12.5 of the SEC CG Code for PLCs).

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 fails to make required payments such as principal and/or interest on an agreed date; market risk due to price movements/fluctuations in trading and distribution activities of credit securities, foreign exchange, and derivative instruments (as allowed by regulation); liquidity risk from the management of the Bank's cash flows and balance sheet; and operational and IT risks from inadequate or failed internal processes, people, information technology and systems, and threats from external events that pose risks of financial losses and damage to the Bank's reputation. We are likewise cognizant of other emerging risks (e.g., environmental, social, and geopolitical risks) that it may be exposed to in its day-to-day business operations and these are identified, measured, controlled, and monitored accordingly.

We have established risk management processes and controls and uses various methodologies, metrics, tools, and systems to identify, measure, control, and monitor its risk exposures. We continuously invest in risk technologies and business-enabling systems, and enhance its processes to ensure completeness and accuracy of data, 360o risk perspective, and timely reporting. With the implementation of the Risk Data Architecture system leveraging on the Bank's Enterprise Big Data platform, the availability of automated risk data not only supports the Bank's risk management activities, but also enables risk data servicing of the various business units and support units of the Bank.

In compliance with BSP Circular 989 (Conduct of Stress Testing Exercises), the RMO together with the Strategy & Finance Group have employed a formal integrated risk and capital stress testing framework, with forward looking assessment of risks under given stressed scenarios identified or developed by the Bank's experts, to assess financial and capital impact of such scenarios, and to facilitate the development of contingency and recovery plans.

Independent reviews are regularly conducted by our Internal Audit, external auditors, and regulatory examiners to ensure that controls and risk mitigation are in place and functioning as intended. We also engage various risk management experts to independently assess our risk maturity covering areas such as business continuity, cyber and information security, and ERM.

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

Credit Risk

The Credit Risk Unit in coordination with BPI's Credit Policy and Risk Management (CPRM) Division is responsible for the overall management of the Bank's Credit Risk. The Credit Risk Unit is accountable to the RMCom in managing the bank's Credit Risk appetite and in the RMCom's oversight function on Credit Risk and asset quality. In addition, Credit Risk Units supports Senior Management in ensuring the quality of our loan portfolio by adopting proper risk control strategies and adequate monitoring and reporting. Credit Risk Unit and CPRM ensures that our prudent underwriting standards and rating parameters are complied with through the conduct of independent business portfolio and product credit reviews.

In 2022, we experienced an increase in loan volumes with notably improved Non-Performing Loan ratio as compared to the previous year, amidst the lingering COVID-19 pandemic. We were able to manage overall Credit Risk and maintain good asset quality, in general compliance with regulatory and prudential requirements relating to credit risk management (e.g., DOSRI and RPT compliance, single borrower's limits, credit concentration, and stress testing, amongst others). We continue to serve the self-employed micro-entrepreneurs diversified as to geographic location. We continue the personal loan which the bank has significant credit concentration which are offered to individuals with diversified occupations.

We regularly review the sufficiency of loan loss provisioning which is based on expected credit loss (ECL) model developed for each loan portfolio. We adopted a credit score card to assess the borrowers' credit worthiness. The credit scorecard model undergoes model enhancement and independent validation to ensure maintain predictive power and performance.

We fully implemented Philippine Financial Reporting Standards 9 (PFRS 9)-based policies, models, and ECL methodologies for all our credit portfolios, rendering it compliant to both the BSP and accounting standards on PFRS 9 implementation. Loss provisioning are based on ECL, which is a function of the probability of default, loss given default, and exposure at default.

We measure 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, credit exposures are risk-weighted and allows for the use of eligible collaterals (cash, financial instruments, and guarantees) to mitigate credit risk.

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 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), and related standards.

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

Risk Management Office exercises its market, IRRBB, and liquidity risk management duties and responsibilities through its Market, IRRBB and Liquidity Risk Management (MRM) Division. The Division employs various risk metrics commensurate to the size and sophistication of its business operations which guide us to effectively manage ~~the~~ 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 forwardlooking 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 2022, despite the heightened market volatility and uncertainties brought about by factors such as the tightening monetary environment and geopolitical risks and developments, our market, IRRBB, and liquidity risk exposures were adequately managed and controlled within the RMCom-approved limits.

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).

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 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 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 ensure adequate liquidity levels at all times and contingency plans are in place in the event of liquidity stress. Our liquidity profile is measured and monitored through its 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 the Bank's liquidity risk profile, requiring financial institutions to hold adequate level of high-quality liquid assets to cover net cash outflows in the next 30 days. We, on a solo and consolidated basis, maintain adequate levels of liquidity to provide a sufficient buffer for critical liquidity situations. Th 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~~s~~ 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 to integrate them to the overall risk management process of the Bank. In 2022, we conducted various portfolio and risk simulations to evaluate the impact of possible strategies and actions to address changing market conditions. 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.

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 events such as natural disasters that damage physical assets and electrical 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 assumed in conjunction with 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.

One of the significant resources that we employ are Business Risk Officers (BRO). We have over 20 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 risk management practices 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. Our tools include Key Risk Indicators (KRIs) that we regularly monitor, loss events reporting and analysis, Risk & Control Self-Assessment (RCSA), and operational risk management awareness and appreciation programs. 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 in effectively managing risks. 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. 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.

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 ESRMS unit, efforts to establish key metrics to provide the RMCom and ORMC visibility over E&S risks are ongoing.

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 is will be made possible, thereby providing better visibility to Management and enabling them to make data-driven decisions.

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

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 operational risk events. This exercise ensures that the impact of high-severity events is captured during risk assessment, especially those not yet reflected in the Bank’s existing historical loss data.

Our risk management processes are ingrained in all our business activities such as new product development and service offerings, process changes/enhancements, outsourcing, new markets, amongst others. From inception to launch, these business activities, as well as its related processes and systems, are subjected to rigorous risk assessments, design and testing activities aimed at safeguarding both us and our clients from the risks of economic loss, operational disruption, or compromise of personal or financial data.

The Board-level RMC is regularly apprised of the operational and IT risks through monthly reports and quarterly meetings.

We continue to closely monitor established measurements and limits on risk indicators and implement mitigating measures in view of increasing cyber-related risks and risks related to the COVID-19 pandemic, primarily on the health and safety of our employees and continuity of operations with the significant portion of the work force on work-from-home arrangements. Our strategic initiatives on digitalization, improvements on IT infrastructure and cybersecurity technology, and availability of business recovery sites enable the continued delivery of products and services to our clients.

For personnel safety and welfare, we fully complied with health and medical guidelines from the Department of Health (DOH) and Department of Labor and Employment (DOLE). Our participation in the Ayala Vaccine and Immunization Program (AVIP) resulted in the majority of our employees and their dependents being fully vaccinated. The administration of vaccination for minors and booster shots have also commenced as we continue to work towards 100% vaccination rate either via AVIP, Ayala – Local Government Unit (LGU), or LGU programs.

Business Continuity Risk

The Bank maintains its business continuity capability and organizational resilience by means of an effective and sustainable Business Continuity Management (BCM) program. This program was self-assessed by the Bank, aligned with ISO 22301 and BSP Circular 951 (Business Continuity Management). Within this program are 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 us, 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 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 resilience 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 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 achieve the confidentiality, integrity, and availability of these information assets. 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.

In view of the increasing cyber-related 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 also an established third-party and vendor risk management program to address third-party risks there is increasingly utilize outsourced services to support our business goals and operations. Stringent vetting process to service providers and IT suppliers is being observed as well as the regularly monitoring of their performance to determine compliance with the data privacy and information security requirements.

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 is in place. These campaigns are conducted via social media, website, press releases, and email bulletins. The awareness program and campaigns are persistent and updated regularly to keep our employees and customers abreast on current cybercrimes, emerging risks and trends, and the mitigating measures to protect the bank and themselves against these threats.

BPI's Facilities Services Group (FSG) is at the forefront of ensuring a safe and secure environment within which our clients and personnel can conduct business at their convenience. Being the unit responsible in ensuring the structural integrity, resilience, adeptness and efficacy of all BPI and BanKo branches and offices, as well as the physical security and safety of not just the areas but of clients and stakeholders, FSG implements a proactive and integrated approach to people, infrastructure, and security to address the increasingly sophisticated needs of all physical sites, people and clientele with continuous enhancement on strengthening the Bank's physical security hard points to address varying threats on financial products and service fulfillment. In line with our sustainability agenda, physical enablers to reduce the impact of climate change such as calamity-proofing initiatives to selected typhoon prone branches as well as undertakings on renewable energy are well underway. Facilities security and monitoring are constantly evaluated and enhanced to achieve more advanced, dynamic, and resilience designs integrating traditional physical security system with value engineering of more advanced tools to stay ahead of the evolving physical and financial security landscape. Reinforcing this effort is capability development through physical security monitoring systems improvement coupled with strengthened coordination with national and local law enforcement agencies. With the foregoing and the established Physical Security Response Plan in handling all types of emergencies and calamities that is further supported by trained personnel and physical & technological assets, FSG is ready for the robust demands of the future and any kind of eventualities and emergencies.

Legal and Tax Risks

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

With the ongoing pandemic, our 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 arising from client complaints before regulatory bodies to full blown litigation in all levels of the judicial proceedings as well as from trial courts to the Supreme Court. 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.

Reputational Risk

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

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 which degrades operating margins and prevents higher returns. Furthermore, reputational damage increases liquidity risk which impacts stock price and ultimately slashes market capitalization.

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 Corporate 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, and corporate social responsibility that are further amplified through traditional and social media coverage.

Model Risk

BPI's Risk Models Validation (RMV) Department is responsible for conducting the independent model validation activities of BanKo's risk, valuation, and stress testing models. The independent validation of these models is governed by model risk management policy and governance framework, aimed at ensuring an active and effective model risk management across the enterprise. RMV conducts an annual inventory of the Bank's models to ensure relevance, comprehensiveness, and usability across functional risk areas. Given the increased regulatory expectations on model risk management, independent validation, and the 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, considers the impact of the COVID-19 pandemic to latest modeling methodologies employed, and ensures that proper emphasis is placed on models supporting financial inclusion and sustainability initiatives.

Environmental and Social Risks

Under the ERM 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/ or 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 negative financial, legal, and/or reputational effects from E&S issues affecting our key business activities.

- Environmental risks can be categorized as either 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. This 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, as well as 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 integrate our sustainability strategy and principles in the delivery of products and services, as well as in the resilience of our operations.

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 DOSTPHIVOLCS' Hazard Hunter PH system, we we're able to assess risk exposure of Bank branches, vis-a-vis the following climate risks.

- Flooding
- Typhoons/severe wind
- Storm surge
- Rain-induced landslides

ERA serves to mitigate traditional risks involve in branch operations concerning environmental and social risk, as such, it has already been integrated to 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 branch location vis-à-vis natural hazards to the clients' business such as flooding. • Advisory on risk-mitigating measures º Project relocation º Engineering interventions aimed at damage prevention, resilience, and compliance º Insurance coverage
Operational Risk	• Application of risk-mitigating measures º Relocation º Engineering interventions aimed at damage prevention, resilience, and compliance º Insurance coverage • Enhancement of Business Continuity Plans to ensure uninterrupted, resilient, and reliable operations amidst natural disasters º Focus areas

	> Employee health and safety > Asset protection > Timely restoration of building, equipment, and technology º Additional preventive measures > Regular evacuation drills > Hazard protection guidelines > Hazard awareness seminars

Capital Adequacy

The Bank's Financial Management Unit together with Risk Management Office and in coordination with BPI Unibank Planning and Capital Management under the Strategy and Finance Group oversee 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 2022, 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. Our capital management framework ensures that on standalone, 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 together with BPI submits a comprehensive internal capital adequacy assessment process, or ICAAP, document annually to the Bangko Sentral ng Pilipinas, in accordance with the Pillar 2 guidelines of the Basel framework.

As of December 31, 2022, the Bank's CET1 and CAR Ratio stood at 18.42% and 17.73% respectively, both higher than the minimum regulatory requirements.

The table below shows the Bank's CAR components for 2022 and 2021:

Risk (Php million)	Regulatory Capital	
	2022	2021
Credit Risk	13,773	9,942
Market Risk	55	55
Operational Risk	6,743	5,567
Total	**20,571**	**15,565**

Capital Adequacy (Php Mn)	2022	2021
CET1/Net Tier1 [1]/	3,648	2,668
T2/Net Tier2 [2]/	141	104
Total QC [3]/	**3,789**	**2,772**
Total CRWA 4/	13,773	9,942
Total MRWA 5/	55	55
Total ORWA 6/	6,743	5,567
TRWA 7/	**20,571**	**15,565**

Ratios (%)		
CET1	**17.73 %**	**11.03 %**
CAR	**18.42 %**	**11.79 %**

[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 in order to achieve business objectives is 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 non-performing 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 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 Related Party Transactions (RPT) processes, a basic element of which are RPT guidelines published in the Bank's policy databases as further communicated through briefing sessions and regular advisories. Another control mechanism requires the 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, post-verification of vetted RPTs is conducted by both Internal Audit and Compliance Office, results of which are reported to the RPTCom. Review of RPTs is likewise 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, as well as the 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, as part of the Know-Your-Customer process, conducted by the business units. 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 BPI officers' data is regularly conducted in coordination with the Bank's Human Resource Management Group for proper tagging in the system. The Bank's RP database is accessible to business units to serve as a tool in the RP identification process across the Group.

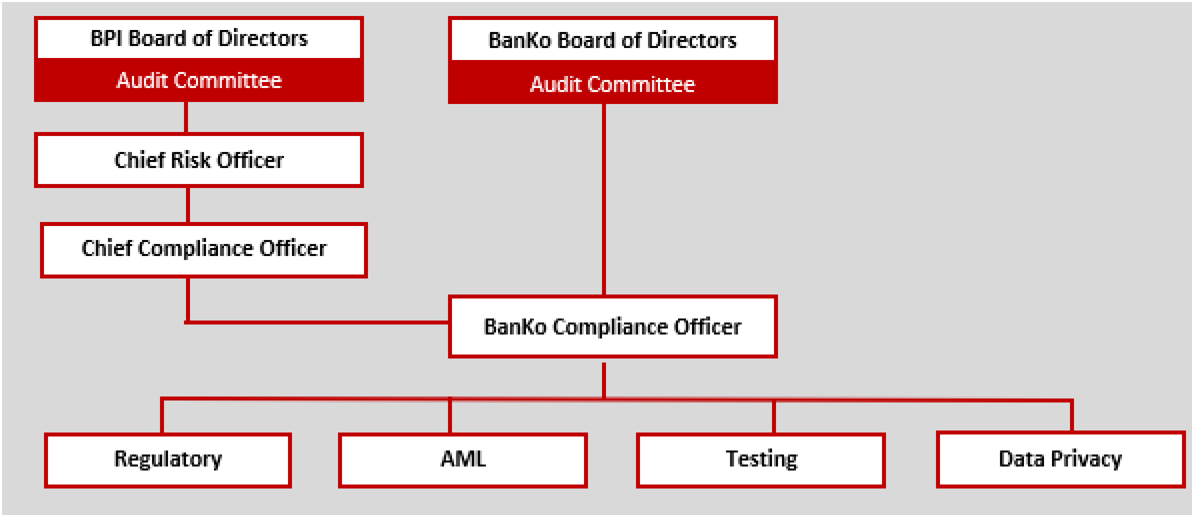
Vetting is done prior to implementation either by the BPI BPI **Related Party Transaction Committee (RPTC),** BanKo Corporate governance Committee (CGCom), or the Management Vetting Committee (MVCom), depending on set materiality thresholds, to ensure that transactions with RPs are normal banking activities 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, 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 in 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 with the aim of enhancing corporate governance measures including greater information awareness initiatives.

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.

Financial Consumer Protection Framework

The Bank has a financial consumer protection governance structure that aims to establish a business environment that protects the interest of financial consumers and create an institutional culture of fair and responsible treatment of customers through good governance exercised by the Board and governing bodies, and reinforced by the various functions that own, manage, oversee, or provide independent assurance over consumer protection activities.

BanKo Customer Care Unit in coordination with other units and BanKo Compliance Office has established a Financial Consumer Protection Program aimed at preventing or reducing regulatory violations and protecting customer from harm or loss associated with non-compliance. There is a mechanism for elevating cases, when needed, including those referred to the Bank by the Bangko Sentral ng Pilipinas (BSP).

The bank handles customer inquiries and complaints through its Customer Care Unit, which provides reports to BPI Parent's Customer Experience Management Office (CXMO) regularly. This is to ensure that customer feedback are captured and addressed accordingly and aligned with the Bank's Consumer Protection Policies.

Aside from our contact center and the branches, clients may also relay their queries and concerns to the bank via the bank's website and Facebook page. As part of the bank's program, all BanKo employees undergo annual training on consumer protection.

For 2022, the Bank tracked and monitored customer issues and feedback concerning its products and services action plans were implemented to ensure that the most pressing and important issues raised by customers were resolved within the committed turn-around times.

Statistics of Concerns Received

BPI Direct BanKo has its own Contact Center, catering to the concerns of both BanKo and non-BanKo Clients. For 2022, the ratio of complaints over the number of concerns received has significantly been at a low level of 1%. On the otherhand, the majority of concerns received are inquiries on BanKo products and services.

Number of Concerns Received	32,365
Number of Complaints	257
% of Complaints vs Concerns Received	1%
Number of Transactions	8,919,762
Complaints Resolved	100%

To ensure that our customers are empowered to make informed financial decisions, that we protect their rights across all transactions with the Bank, and that we provide them with an avenue to express their concerns about the Bank's products and services, BanKo's Customer Experience Management Office (CXMO) has established a Financial Consumer Protection Policy, providing 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.

A Customer Assistance Officer (CAO) is assigned to address customer concerns in accordance with Bank policies.

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.

SUSTAINBILITY 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 317 branches, BanKo actively reaches out to unbanked and underserved markets, promoting internationally recognized sustainability practices while advancing financial inclusion in support of 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 supply chain for their restaurants. 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 were able to supply the restaurant chain with a total of 348,000 kilos of onions, contributing to their sourcing requirements during a time of onion scarcity. This highlights how the innovation facilitated a reliable and sustainable supply chain for the 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 IB clients and potentially reach 2.9 million small Filipino farmers. Overall, the project's results demonstrate its tangible impact, successful achievement of objectives, and significant potential for future growth and financial inclusion.

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 2022 and 2021 were Php3.65 billion and Php2.67 billion, respectively. The Bank's total qualifying capital for 2022 and 2021 were largely composed of CET1 capital and Tier1 at 96.0% and 96.0%, respectively.

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

Core Capital	**4,166**	**141**	**4,307**	**3,202**	**104**	**3,307**
Paid-up common stock	1,406	-	1,406	1,406	-	1,406
Additional paid-in capital						
Retained earnings	1,795	-	1,795	1,454	-	1,454
Undivided profits	995	-	995	371	-	371
Net unrealized gains or losses on AFS securities						
Cumulative foreign currency translation						
Remeasurements of Net Defined Benefit Liability (Asset)	(30)	-	(30)	(29)	-	(29)
Minority interest 1/						
General loan loss provision 2/	-	141	141	-	104	104
Deductions	**517**	**-**	**517**	**534**	**-**	**534**
Total O/S unsecured credit accommodations 3/						
Deferred tax assets	487	-	487	507	-	507
Other intangible assets	3		3	2		2
Defined benefit pension fund assets	27	-	27	25	-	25
Investments in equity 5/						
Significant minority investments 6/						
Other equity investments 7/						
TOTAL QUALIFYING CAPITAL	**3,649**	**141**	**3,790**	**2,668**	**108**	**1,680**
	96%	**4%**	**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, 2022 amounted to Php14.11 billion, and composed of on-book credit exposures after risk mitigation of Php13.77 billion.

The table below provides a summary of the Bank's credit risk-weighted assets for 2022 and 2021:

	Amount	
Credit RWAs (Php Mn)	**2022**	**2021**
Total RWA (On-balance sheet) [0]/	14,112	10,449
Total RWA (Off-balance sheet) [0]/	0	0
Total counterparty RWA (banking book) [1]/	0	0
Total counterparty RWA (trading book)	0	0
Total RWA credit-linked notes (banking book)	-	-
Total Gross RWA	**14,112**	**10,449**
Deductions: General loan loss provision [2]/	339	506
Total Credit RWAs	**13,773**	**9,943**

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, 2022	**Exposure after risk mitigants**	**RISK WEIGHTS**						**Total**
P -mn		**0%**	**20%**	**50%**	**75%**	**100%**	**150%**	**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**

December 31, 2021 P -mn	Exposure after risk mitigants	0%	20%	50%	75%	100%	150%	Total CRWA 1/
				RISK WEIGHTS				
Cash on hand	287	287	-	-	-	-	-	287
Checks and other cash items	2	-	2	-	-	-	-	2
Due from BSP	4,327	4,327	-	-	-	-	-	4,327
Due from other banks	1,089		-	1,037		52	-	1,089
Available-for-sale (AFS)	-	-	-	-	-	-	-	-
Held-to-maturity (HTM)	-	-	-	-	-	-	-	-
UDSCL 2/	-	-	-	-	-	-	-	-
Loans and receivables	11,578	-	-	5,573	-	5,634	371	11,578
Loans and receivables - Others 3/	363	363	-	-	-	-	-	363
Sales contract receivables	-	-	-	-	-	-	-	-
ROPA 4/	58	-	-	-	-		58	58
Sub-total	**17,703**	**4,977**	**2**	**6,610**	**-**	**5,686**	**429**	**17,703**
Other assets	815	-	-	-	-	815	-	815
Total exposure, plus other assets	**18,518**	**4,977**	**2**	**6,610**	**-**	**6,500**	**429**	**18,518**
Total risk-weighted OBSA (no CRM) 0/5 /			-	3,305	-	6,500	643	10,449
Total risk-weighted OBSA (with CRM)5 /			**-**	**-**	**-**	**-**	**-**	**-**
Total RWA (On-Balance Sheet)			**-**	**3,305**	**-**	**6,500**	**643**	**10,449**

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 Php55 million as of end-2022, 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 2022 and 2021:

MARKET RWA (Php Mn)	2022	2021
Using standardized approach		
Interest rate exposures	-	-
Foreign exposures	55	55
Equity exposures	-	-
TOTAL MARKET RWA 0/	**55**	**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 2022, the Bank's total operational risk-weighted assets stood at Php6,743 million.

The table below presents the breakdown of the Bank's operational risk-weighted assets for 2022 and 2021:

OPERATIONAL RWA (Php Mn)	AMOUNT	
	2022	2021
Gross income (a)	3,330	2,110
Capital requirement 1/	500	316
Average capital requirement (b) 2/	540	445
Adjusted capital charge (c) 3/	674	557
TOTAL OPERATIONAL RWA 0/ 4/	6,743	5,567

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

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, 2022):

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			% OF OWNER-SHIP	AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)			
1. BANK OF THE PHILIPPINE ISLANDS Filipino Ayala North Exchange Tower 1, Ayala Avenue cor. Salcedo St., Legaspi Village Makati City, Metro Manila 1229	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. CEZAR P. CONSING Filipino 388 San Rafael St., cor. San Bartolome St., Ayala Alabang Village, Muntinlupa City	Common A	1	100.00	0.00%	100.00	902-969-919
	TOTAL	**1**	**100.00**			
6. JOSE FERDINAND B. 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**			
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. AURELIO R. MONTINOLA III Filipino 29 Pili Avenue, South Forbes Park, Makati City	Common A	1	100.00	0.00%	100.00	135-558-086
	TOTAL	**1**	**100.00**			
9. 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**			
10. JAIME ALFONSO ANTONIO E. ZOBEL DE AYALA Filipino Unit 31, Kasiyahan Village, North Forbes Park, 58 Mckinley Road, City	Common A	1	100.00	0.00%	100.00	500-076-884
	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, 48 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 26 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 and 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 31 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.

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 29 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
Senior Manager and Company Risk Officer

Filipino, 42 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 20 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 and 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.

SENIOR MANAGEMENT

PRESIDENT

Jerome B. Minglana

SENIOR VICE PRESIDENT

Rodolfo K. Mabiasen, Jr. - Financial Inclusion and Microfinance Solutions

VICE PRESIDENT

Ma. Cynthia Leticia S. De Jesus - Compliance

Maria Angelica G. Florentino – Enterprise Services

ASSISTANT VICE PRESIDENT

Anne A. delos Reyes – Client Solutions

Reubhen Joseph Maxpher S. Paran – Digital Channels

Gabriel Lorenzo A. Posadas – Agency Distributions and Partnerships

SENIOR MANAGER

Annie B. Alanano – Treasurer, Finance & Business MIS

Rey Martin T. Belida – Mindanao Region Head

Eduardo Roberto V. Bondame – Credit

Charmaine M. Camus – Customer Experience

Francisca R. Dimaala – Risk Management

Jasper T. Dipaling – Visayas Region Head

Cynthia M. Dobles – Collections

Ma. Cecilia A. Garrido – Quality Assurance

Ethel Jennifer C. Mabunay – Channel Services

Dennis N. Marcelino – Technology

Marlo John P. Maroon – HR & Training Head

Joseph Carlo F. Ragaza – South Luzon Region Head

Jhoel R. Sanga – North Luzon Region Head

PRODUCT AND SERVICES

DEPOSITS

Peso

Checking Account
Savings Account
Time Deposits Account

Foreign Currency

Savings Account

Microfinance

PondoKo Savings

LOANS

Consumer

Auto Loans
Housing Loans

Microfinance

NegosyoKo Loan

ELECTRONIC CHANNELS

BanKo Mobile

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.

Count	Location	Branch Type	Address
1	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 City
5	Angeles, Pampanga	Branch	Romercial Purok 5, San Francisco St. Lourdes North West, 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

Count	Location	Branch Type	Address
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 Branch Lite Uniteridge 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
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
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

Count	Location	Branch Type	Address
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	Roxas Avenue, Brgy. VIII, 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. FI 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	Bonifacio St., 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

Count	Location	Branch Type	Address
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
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	De Guia Building, Brgy. San Juan, 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	7S 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

Count	Location	Branch Type	Address
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, 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 Branch Lite Unite 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

Count	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

Count	Location	Branch Type	Address
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	Purok Apitong, Maranding, 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
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	2nd Floor Charis Bldg., Dinna Ave. Brgy. Limay Bataan
307	Panglao Bohol	Branch-Lite Unit	P-7 Tawala, Panglao, Bohol

Count	Location	Branch Type	Address
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

*BanKo Binan is temporarily co-located with BanKo Cabuyao

CORPORATE INFORMATION

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

2022 AUDITED FINANCIAL STATEMENTS

www.pwc.com/ph

BPI Direct BanKo, Inc., A Savings Bank

(Formerly BPI Direct Savings Bank, Inc.)

Financial Statements
As at and for the years ended December 31, 2022 and 2021

pwc

Isla Lipana & Co.

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholder of
BPI Direct BanKo, Inc., A Savings Bank
(Formerly BPI Direct Savings Bank, Inc.)
G/F BanKo Center Building
Ortigas Avenue, North Greenhills
San Juan, 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, 2022 and 2021, 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, 2022 and 2021;
- the statements of income for the years ended December 31, 2022 and 2021;
- the statements of comprehensive income for the years ended December 31, 2022 and 2021;
- the statements of changes in capital funds for the years ended December 31, 2022 and 2021;
- the statements of cash flows for the years ended December 31, 2022 and 2021; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

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 Code of Ethics.

Other Information

Management is responsible for the 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.

Isla Lipana & Co.

Report on the Supplementary Information Required by the Bangko Sentral ng Pilipinas (BSP) and the Bureau of Internal Revenue (BIR)

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

Isla Lipana & Co.

Ruth F. Blasco
Partner
CPA Cert No. 112595
P.T.R. No. 0018519, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 235-725-236
BIR A.N. 08-000745-133-2020, issued on June 5, 2020; effective until June 4, 2023
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 22, 2023

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

Statements of Condition
December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
RESOURCES			
Cash and other cash items	2	250,147,358	288,788,443
Due from other banks	2	767,097,024	1,088,893,413
Interbank loans receivable	2,3	135,594,884	362,630,232
Due from Bangko Sentral ng Pilipinas	2,4	4,334,661,084	4,326,564,677
Investment security at fair value through other comprehensive income	5	14,939	17,123
Loans and advances, net	6	15,679,134,887	10,966,782,236
Assets held for sale		77,880,288	89,666,684
Bank premises, furniture, fixtures and equipment, net	7	496,808,502	598,285,340
Deferred income tax assets, net	8	490,516,905	505,013,516
Other resources, net	9	216,515,286	250,325,170
Total resources		22,448,371,157	18,476,966,834
LIABILITIES AND CAPITAL FUNDS			
Deposit liabilities	10	16,792,441,424	14,277,235,315
Accrued taxes, interest and other expenses	11	345,969,454	223,239,533
Other liabilities	12	1,129,339,083	773,669,248
Total liabilities		18,267,749,961	15,274,144,096
CAPITAL FUNDS	13		
Share capital		1,405,572,100	1,405,572,100
Accumulated other comprehensive loss		(29,772,580)	(29,151,745)
Other reserves		(269,815,403)	(269,815,403)
Surplus		3,074,637,079	2,096,217,786
Total capital funds		4,180,621,196	3,202,822,738
		22,448,371,157	18,476,966,834

(The notes on pages 1 to 58 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, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
INTEREST INCOME			
Loans and advances	6	3,974,308,405	3,304,862,303
Deposits with BSP and other banks	2,4	56,409,435	63,759,145
Interbank loans receivable	3	13,739,745	15,620,275
		4,044,457,585	3,384,241,723
INTEREST EXPENSE ON DEPOSITS	10	86,929,058	122,864,229
NET INTEREST INCOME		3,957,528,527	3,261,377,494
PROVISION FOR IMPAIRMENT	6,9,20	702,356,232	570,502,619
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT		3,255,172,295	2,690,874,875
OTHER INCOME			
Service fee income		526,085,439	455,415,974
Profit on assets sold		7,484,831	4,283,824
Miscellaneous income	14	123,814,886	96,391,640
		657,385,156	556,091,438
OTHER EXPENSES			
Compensation and fringe benefits	17,18	984,514,746	1,035,000,497
Occupancy and equipment-related expenses		983,805,225	1,104,097,458
Other operating expenses	15	635,624,168	509,389,668
		2,603,944,139	2,648,487,623
INCOME BEFORE PROVISION FOR INCOME TAX		1,308,613,312	598,478,690
PROVISION FOR INCOME TAX	16		
Current		327,101,725	93,177,678
Deferred	8	3,092,294	156,419,133
		330,194,019	249,596,811
NET INCOME FOR THE YEAR		978,419,293	348,881,879

(The notes on pages 1 to 58 are an integral part of these financial statements.)

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

Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Note	2022	2021
NET INCOME FOR THE YEAR		978,419,293	348,881,879
OTHER COMPREHENSIVE INCOME (LOSS)	13		
Item that will be subsequently reclassified to profit or loss			
Change in fair value reserve on debt securities at fair value through other comprehensive income, net of tax			-
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		(2,184)	7,209
Remeasurement (loss) gain on retirement benefit obligation, net of tax		(618,651)	11,692,400
Total other comprehensive (loss) income		(620,835)	11,699,609
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		977,798,458	360,581,488

(The notes on pages 1 to 58 are an integral part of the financial statements.)

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

Statements of Changes in Capital Funds
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Share capital (Note 13)	Accumulated other comprehensive income (loss) (Note 13)	Other reserves	Surplus (Note 13)	Total
BALANCE, JANUARY 1, 2021	905,572,100	(40,851,354)	(269,815,403)	1,747,335,907	2,342,241,250
TRANSACTION WITH OWNER					
Additional capital contributions	500,000,000	-	-	-	500,000,000
COMPREHENSIVE INCOME					
Net income for the year	-	-	-	348,881,879	348,881,879
Other comprehensive income	-	11,699,609	-	-	11,699,609
Total comprehensive income for the year	-	11,699,609	-	348,881,879	360,581,488
BALANCE, DECEMBER 31, 2021	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 (loss) 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

(The notes on pages 1 to 58 are an integral part of the financial statements.)

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

Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before provision for income tax		1,308,613,312	598,478,690
Adjustments for:			
Interest income		(4,044,457,585)	(3,384,241,723)
Interest expense on deposit and lease liabilities	10,19	104,526,498	159,490,390
Depreciation and amortization	7	326,863,466	364,079,635
Profit on assets sold		(7,484,831)	(4,596,429)
Retirement benefit expense	17	22,443,240	56,688,229
Provision for impairment	6,9,20	702,356,232	570,502,619
Interest received		3,892,925,729	3,366,848,363
Interest paid		(85,808,182)	(180,300,709)
Increase in:			
Loans and advances		(5,258,769,789)	(796,273,684)
Assets held for sale		19,271,227	1,763,228
Other resources		39,792,109	126,586,522
Increase (Decrease) in:			
Deposit liabilities		2,515,206,109	(3,570,851,947)
Accrued taxes, interest and other expenses		257,045,498	26,651,222
Other liabilities		320,704,643	(624,958,569)
Net cash from (used in) operations		113,227,676	(3,290,134,163)
Retirement plan contributions	17	(23,947,095)	(44,700,923)
Income tax paid		(480,017,613)	(75,837,842)
Net cash used in operating activities		(390,737,032)	(3,410,672,929)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in:			
Bank premises, furniture, fixture, and equipment	7	(48,256,312)	(140,063,608)
Net cash used in investing activities		(48,256,312)	(140,063,608)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of additional capital contribution from Parent Bank	13	-	500,000,000
Payment of principal portion of lease liabilities	19	(140,383,071)	(121,340,642)
Net cash (used in) from financing activities		(140,383,071)	378,659,358
NET DECREASE IN CASH AND CASH EQUIVALENTS		(579,376,415)	(3,172,077,179)
CASH AND CASH EQUIVALENTS			
January 1		6,066,876,765	9,238,953,944
December 31	2	5,487,500,350	6,066,876,765

(The notes on pages 1 to 58 are an integral part of these financial statements.)

BPI Direct BanKo, Inc., A Savings Bank

Notes to the Financial Statements
As at and for the years ended December 31, 2022 and 2021
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 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 BanKo Center Building, Ortigas Avenue, North Greenhills, San Juan, Metro Manila.

The Bank has 2,376 regular employees as at December 31, 2022 (2021 - 2,727).

Coronavirus (COVID-19) pandemic

As the Philippine economy fully reopens and society shifts into its new normal, the Bank's business model and operating environment have now fully integrated various business continuity plans enacted during the pandemic. These include, but are not limited to, changes in the workforce arrangements and set-up of corporate offices, allowing for hybrid schedules, split operations, and alternative work sites, all duly supported by the use of mobility tools and virtual communications. The Bank's accelerated digital transformation has also ensured continuous client service through its various distribution platforms while maintaining back-office efficiency. The Bank's robust risk management continues to guard against increasing cybersecurity risks heightened by remote and virtual work arrangements.

The Bank upholds a stringent credit process while also enhancing aspects of its underwriting, monitoring, and collections, in consideration of the changes in regulatory, economic, and competitive environment, and customer behaviors post-crisis. Monitoring vulnerable industries and sectors that have been affected by COVID-19 and having regular conversations with clients also continues.

Thus, the Bank's asset quality has remained resilient and more favorable than industry averages, displaying an improving trend across key metrics. The Bank's robust capital and liquidity levels also serve as sufficient buffers for any adverse scenario post-pandemic.

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 22, 2023.

Note 2 - Cash and cash equivalents

The account as at December 31 consists of:

	Notes	2022	2021
Cash and other cash items		250,147,358	288,788,443
Due from other banks		767,097,024	1,088,893,413
Interbank loans receivable	3	135,594,884	362,630,232
Due from BSP	4	4,334,661,084	4,326,564,677
		5,487,500,350	6,066,876,765

For the year ended December 31, 2022, interest income earned on Due from other banks amounts to P1,086,593 (2021 - P582,352).

Cash and cash equivalents are classified as current as at December 31, 2022 and 2021.

Note 3 - Interbank loans receivable

The account at December 31, 2022 consists of transactions with the BSP amounting to P135,594,884.

Interbank loans receivable maturing within 90 days from the date of acquisition are classified as cash equivalents in the statement of cash flows (Note 2).

Government bonds are pledged by the BSP as collaterals under reverse repurchase agreements. The face value of securities pledged is equivalent to the total balance of outstanding placements as at reporting date. All collateral agreements mature within 12 months.

Average interest rate on interbank loans receivable in 2022 is 6% (2021 - 2%). Total interest earned on interbank loans receivable amounts to P13,739,745 (2021 - P15,620,275) for the year ended December 31, 2022.

Interbank loans receivable is classified as current.

Note 4 - Due from BSP

The account as at December 31 consists of:

	2022	2021
Special deposit accounts	1,485,661,084	3,850,000,000
Clearing accounts	2,849,000,000	476,564,677
	4,334,661,084	4,326,564,677

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, 2022, Due from BSP includes special deposit placements of P2.85 billion (2021 - P3.85 billion) with maturities of not more than 28 days. Average interest rate on due from BSP at December 31, 2022 is 6.16% (2021 - 1.73%). Total interest earned on due from BSP amounts to P55,303,611 for the year ended December 31, 2022 (2021 - P63,175,760).

Due from BSP is classified as current as at December 31, 2022 and 2021.

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

The account consists of listed equity security which amounts to P14,939 as at December 31, 2022 (2021 - P17,123).

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

	2022	2021
At January 1	17,123	9,914
Fair value adjustment	(2,184)	7,209
At December 31	14,939	17,123

Investment security at FVOCI as at December 31, 2022 and 2021 is classified as current.

Note 6 - Loans and advances, net

The account as at December 31 consists of:

	2022	2021
Retail customers		
Real estate mortgagers	1,275,017,499	1,484,945,818
Auto loans	368,324	595,216
Others	15,693,634,928	10,975,891,900
Corporate entities		
Large corporate customers	58,246,232	-
Small and medium enterprises	7,252,624	-
	17,034,519,607	12,461,432,934
Accrued interest receivable	543,880,208	393,451,158
Unearned discount	(54,475)	(54,475)
	17,578,345,340	12,854,829,617
Allowance for impairment	(1,899,210,453)	(1,888,047,381)
	15,679,134,887	10,966,782,236

Average effective interest rate on loans and advances is 14.66% at December 31, 2022 (2021 - 32.48%). Interest income from loans and advances amounts to P3,974,308,405 for the year ended December 31, 2022 (2021 - P3,304,862,303).

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

	2022	2021
Current (within 12 months)	8,500,364,660	4,859,043,593
Non-current (over 12 months)	9,077,980,680	7,995,786,023
	17,578,345,340	12,854,829,617

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

	2022	2021
Balance, January 1	1,888,047,381	2,041,531,797
Provision for loan impairment	696,846,189	573,079,294
Write-offs	(684,478,998)	(725,332,651)
Transfers/other movements	(1,204,119)	(1,231,059)
Balance, December 31	1,899,210,453	1,888,047,381

In 2022, the Bank purchased the personal loan portfolio of its Parent Bank amounting to P3,623,586,925 (2021 - P3,771,385,733).

Note 7 - Bank premises, furniture, fixtures and equipment, net

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

	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

	2021					
	Furniture, fixtures, and equipment	Leasehold rights and improvement	Computer equipment	Leasehold rights and improvements in progress	Buildings	Total
Cost						
January 1, 2021	387,725,983	691,097,466	41,998,321	2,034,811	521,150,271	1,644,006,852
Additions	95,775,317	20,608,080	14,415,279	(2,034,811)	32,486,999	161,250,865
Pre-termination	-	-	-	-	-	-
December 31, 2021	483,501,301	711,705,546	56,413,600	-	553,637,270	1,805,257,717
Accumulated depreciation and amortization						
January 1, 2021	256,322,145	315,455,227	37,531,680	-	218,363,759	827,672,811
Depreciation and amortization	122,202,472	128,830,430	8,275,742	-	119,990,922	379,299,566
Pre-termination	-	-	-	-	-	-
December 31, 2021	378,524,617	444,285,657	45,807,422	-	338,354,681	1,206,972,377
Net book value, December 31, 2021	104,976,684	267,419,889	10,606,178	-	215,282,589	598,285,340

Effective January 1, 2019, the Bank has recognized right-of-use assets from the long-term leases of spaces for its main office and branches (Note 19).

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

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

Note 8 - Deferred income tax assets, net

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

	2022	2021
Deferred income tax assets		
Allowance for impairment	479,104,440	475,107,667
Expense accruals and provisions	12,671,005	15,730,730
Amortization of past service cost	20,472,887	20,420,061
	512,248,332	511,258,458
Deferred income tax liabilities		
Retirement benefit asset	21,731,427	6,244,942
Deferred income tax assets, net	490,516,905	505,013,516

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

	2022	2021
At January 1	505,013,516	716,192,409
Amounts charged to statement of income	(3,092,295)	(156,419,133)
Amounts charged to other comprehensive income	(11,404,316)	(5,497,583)
Recognition of MCIT	-	(49,262,177)
At December 31	490,516,905	505,013,516

The deferred tax credit in the statement of income for the years ended December 31 comprises the following temporary differences:

	2022	2021
Allowance for impairment	(3,996,773)	157,149,474
Net operating loss carry-over (NOLCO)	-	3,829,196
Others	7,089,068	(4,559,537)
	3,092,295	156,419,133

Note 9 - Other resources, net

The account at December 31 consists of:

	Notes	2022	2021
Accounts receivable		22,958,088	68,072,562
Rental deposits		33,383,616	31,932,832
Pension asset	17	27,321,996	24,979,767
Prepaid expenses	17	34,838,920	23,997,921
Injunction bond		44,111,052	8,604,565
Membership shares		2,500,000	2,500,000
Accrued interest receivable		1,528,191	471,898
Computer software		2,909,569	1,944,656
Miscellaneous		62,586,283	98,951,910
		232,137,715	261,456,111
Allowance for impairment		(15,622,429)	(11,130,941)
		216,515,286	250,325,170

Other resources are expected to be realized as follows:

	2022	2021
Current	202,193,901	232,031,688
Non-current	29,943,814	29,424,423
	232,137,715	261,456,111

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

Miscellaneous assets include returned checks and float items which are expected to clear in one to two 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:

	2022	2021
At January 1	11,130,941	15,697,166
Provision for (reversal of) impairment	4,491,488	(4,566,225)
At December 31	15,622,429	11,130,941

Reversal of impairment in 2021 is due to collections of previously impaired accounts receivables.

Note 10 - Deposit liabilities

The account as at December 31 consists of:

	2022	2021
Demand	512,886,649	504,554,170
Savings	12,464,620,234	12,772,789,716
Time	3,814,934,541	999,891,429
	16,792,441,424	14,277,235,315

Deposit liabilities are expected to be settled as follows:

	2022	2021
Current	12,977,506,883	13,277,344,886
Non-current	3,814,934,541	999,890,429
	16,792,441,424	14,277,235,315

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

	2022	2021
Demand	319,820	1,545,476
Savings	61,260,369	84,692,592
Time	25,348,869	36,626,161
	86,929,058	122,864,229

Under current and existing BSP regulations, the Bank should comply with a minimum reserve requirement. Further, BSP requires all reserves be kept at the central bank.

In 2019, the reserve ratio decreased to 4% from 8% following the BSP's decision to reduce the requirements. In 2020, the BSP approved the further reduction in reserves which brought the requirement down to 3% for thrift banks effective July 31, 2020 by virtue of BSP Circular No. 1092. The same reserve requirement is applicable for 2022 and 2021.

The required reserve as reported to BSP as at December 31, 2022 amounts to P486,830,544 (2021 - P421,937,252), which is included in Due from BSP (Note 4). The Bank is in full compliance with the reserve requirement as at December 31, 2022 and 2021.

Note 11 - Accrued taxes, interest and other expenses

The account as at December 31 consists of:

	2022	2021
Accrued expenses	139,569,620	131,510,962
Accrued income tax	171,109,462	17,340,120
Accrued taxes and licenses	34,938,418	16,321,620
Accrued interest	351,954	58,066,831
	345,969,454	223,239,533

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

The above accrued expenses are all considered current.

Note 12 - Other liabilities

The account at December 31 consists of:

	Note	2022	2021
Accounts payable		805,587,216	485,403,347
Lease liabilities	19	284,416,142	238,062,374
Withholding taxes payable		5,517,507	4,936,093
Miscellaneous		33,818,218	45,267,434
Total		1,129,339,083	773,669,248

The lease liabilities are measured at the present value of the remaining lease payments using an incremental borrowing rate applied by the Bank (Note 19).

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

Other liabilities are considered current, except for the non-current portion of the lease liabilities disclosed in Note 19.

Note 13 - Capital funds

Details of share capital at December 31, 2022 and 2021 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, 2022, the Bank has surplus in excess of its paid-up capital amounting to P1,669,067,527 (2021 - P690,645,686.) The Bank intends to use its excess surplus for future branch expansions which are expected to materialize within the next twelve months after year end.

Other comprehensive income

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

	2022	2021
Fair value reserve on investment securities at FVOCI		
At January 1	711	(6,498)
Unrealized fair value (loss) gain before tax	(2,184)	7,209
Deferred income tax effect	-	-
At December 31	(1,473)	711
Remeasurement (loss) gain on defined benefit plan, net		
At January 1	(29,152,456)	(40,844,856)
Remeasurement (loss) gain before tax	(824,867)	14,809,038
Deferred income tax effect	206,216	(3,116,638)
At December 31	(29,771,107)	(29,152,456)
	(29,772,580)	(29,151,745)

Note 14 - Miscellaneous income

The account for the years ended December 31 consists of:

	2022	2021
Recoveries	132,798,796	103,438,791
Other income	312,006	193,564
Gross receipts tax	(9,295,916)	(7,240,715)
	123,814,886	96,391,640

The Bank was able to recover collections on personal loans purchased from the Parent Bank and the amounts received were recognized as income for the years ended December 31, 2022 and 2021.

Note 15 - Other operating expenses

The account for the years ended December 31 consists of:

	Note	2022	2021
Shared operating costs	18	231,044,941	192,189,972
Stationery and supplies used		101,346,043	47,687,567
Travel and communications		98,081,887	81,176,524
Insurance		55,284,809	63,292,108
Taxes and licenses		46,866,065	24,703,446
Fines, penalties, and other charges		26,336,485	11,192,466
Advertising and publicity		11,079,739	10,098,279
Litigation expenses		3,898,231	7,429,269
Membership fees		5,993,620	5,957,470
Regulatory examination fees		4,706,098	5,210,688
Others		50,986,250	60,451,879
		635,624,168	509,389,668

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

Note 16 - 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:

	2022		2021	
	Amount	%	Amount	%
Statutory income tax	327,153,328	25.00	149,619,672	25.00
Effect of items not subject to statutory tax rate				
Income subject to lower tax rates	(3,536,578)	(0.27)	(83,347,378)	(13.93)
Effect of change in tax rates	-	-	121,509,857	20.30
Others	6,577,269	0.50	61,814,660	10.34
Provisions for income tax	330,194,019	25.23	249,596,811	41.71

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

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which provides for lower corporate income tax rates and rationalized fiscal incentives had been signed into law by the President of the Philippines on March 26, 2021 and with a retroactive effect of July 1, 2020. As a result of the CREATE Act, the Bank recognized an adjustment in 2021 pertaining to the December 31, 2020 balances which resulted in a net increase of
P121.5 million.

Note 17 - Retirement plan

BPI and its subsidiaries, which include the Bank, have a trustee, non-contributory retirement benefit plans covering all qualified officers and employees.

Effective January 1, 2016, the Bank implemented a defined contribution plan which is accounted for as a defined benefit plan with minimum guarantee. The description of the plans follows:

Under the plan, the normal retirement age is 60 years. Normal retirement benefit consists of a lump sum benefit equivalent to 200% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered at least 10 years of service, or up to 150% of his basic monthly salary, if he has rendered less than 10 years of service. For voluntary retirement, the benefit is equivalent to 112.50% of the employee's basic monthly salary for a minimum of 10 years of service with the rate factor progressing to a maximum of 200% of basic monthly salary for service years of 25 or more. Death or disability benefit, on the other hand, shall be determined on the same basis as in voluntary retirement.

For the defined contribution plan, 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 Republic Act (RA) No. 7641. All non-unionized employees hired on or after
October 1, 2016 are automatically under the new defined contribution (DC) plan. Employees hired prior to October 1, 2016 shall have the option to elect to become members of the new DC plan.

The net defined benefit cost and contributions to be paid by the Bank are determined by an independent actuary.

Plan assets are held in trusts, governed by local regulations and practice in the Philippines.

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:

	2022	2021
Fair value of plan assets	48,311,534	52,075,799
Present value of defined benefit obligation	(11,603,395)	(13,095,439)
Surplus	36,708,139	38,980,360
Effect of the asset ceiling	(9,386,143)	(14,000,593)
Pension asset recognized in the statement of condition	27,321,996	24,979,767

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

	2022	2021
At January 1	52,075,799	49,839,130
Asset return at net interest cost	2,590,444	1,993,664
Contributions	1,247,650	440,526
Benefits paid from plan assets	(2,926,550)	-
Remeasurement loss	(4,675,809)	(197,521)
At December 31	48,311,534	52,075,799

The carrying value of the plan assets as at December 31, 2022 is equivalent to its fair value of P48 million (2021 - P52 million).

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

	2022		2021	
	Amount	%	Amount	%
Debt securities	25,121,998	52%	32,432,808	62%
Equity securities	18,358,383	38%	14,018,805	27%
Others	4,831,153	10%	5,624,186	11%
	48,311,534	100%	52,075,799	100%

The plan assets of the unified retirement plan include investment in BPI's common share with aggregate fair value of P159 million at December 31, 2022 (2021 - P485 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:

	2022	2021
At January 1	13,095,439	14,232,590
Current service cost	1,630,094	1,218,984
Past service cost	163,696	-
Interest cost	645,605	563,611
Benefits paid from plan assets	(2,926,550)	-
Remeasurement gain (loss)		
Changes in financial assumptions	(1,129,797)	(1,153,055)
Changes in demographic assumptions		(186,487)
Experience adjustments	124,908	(1,580,204)
At December 31	11,603,395	13,095,439

The Bank has no further transactions with the plan other than the contributions for the years ended December 31, 2022 and 2021.

The retirement benefit expense recognized in the statement of income for the year ended December 31, 2022 amounts to P538,795 (2021 - retirement benefit expense of P263,009).

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

	2022	2021
Discount rate	7.15%	4.93%
Salary increase rate	6.00%	5.00%

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, 2022 is 27 years (2021 - 24.1 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, 2023 for the Bank amount to P3,939,807.

The weighted average duration of the defined benefit obligation as at December 31, 2022 is 7.72 years (2021 - 8.55 years).

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

	2022	2021
Between 1 to 5 years	1,736,508	3,172,237
Between 5 to 10 years	11,020,253	14,026,752
Between 10 to 15 years	18,841,942	-
Between 15 to 20 years	40,242,881	-
Over 20 years	363,372,960	17,198,989

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

		Impact on defined benefit obligation	
December 31, 2022	Change in assumption	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%

		Impact on defined benefit obligation	
December 31, 2021	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 8.0%	Increase by 9.1%
Salary growth rate	1.0%	Increase by 9.0%	Decrease by 8.1%

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

	2022	2021
Fair value of plan assets	158,575,093	141,918,792
Present value of defined benefit obligation under RA No. 7641	(59,503,334)	(58,008,911)
Deficit	99,071,759	83,909,881
Effect of asset ceiling	(99,071,759)	83,909,881
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:

	2022	2021
At January 1	58,008,911	102,853,859
Current service cost	18,282,644	41,130,456
Past service cost	4,022,005	-
Interest cost	2,854,038	4,062,727
Benefits paid from plan assets	(7,087,565)	(2,910,906)
Remeasurement gain (loss)		
Changes in financial assumptions	(18,480,523)	(12,856,774)
Changes in demographic assumptions	-	(21,951,758)
Experience adjustments	1,903,824	(52,318,693)
At December 31	59,503,334	58,008,911

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

	2022	2021
At January 1	141,918,792	89,024,300
Benefits paid	(7,087,565)	(2,910,906)
Asset return at net interest cost	7,382,608	4,297,919
Contributions	22,699,445	44,260,397
Remeasurement gain - return on plan assets	(6,338,187)	7,247,082
At December 31	158,575,093	141,918,792

Total retirement benefit expense for the year ended December 31, 2022 under the defined contribution plan amounts to P21,904,445 (2021 - P56,425,220).

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

	2022	2021
Discount rate	7.38%	4.92%
Salary increase rate	6.00%	5.00%

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

	2022		2021	
	Amount	%	Amount	%
Debt securities	87,216,301	55%	79,403,564	56%
Equity securities	63,430,037	40%	60,102,608	42%
Others	7,928,755	5%	2,412,620	2%
	158,575,093	100%	141,918,792	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, 2023 amount to P40,893,295.

Note 18 - 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, 2022

	Transactions for the year	Outstanding balance	Terms and conditions
Deposits to:			
Parent Bank	(267,624,606)	740,107,032	These are demand, savings and time deposits bearing the following average interest rates: Savings - 0.66% to 1.11% Time - 1.68% to 2.83%
Fellow subsidiary			
Deposits from:			
Fellow subsidiary	2,500,000,000	2,500,000,000	These are time deposits bearing average interest rates of 5.25% to 5.75%.
Accounts receivable:			
Parent Bank	-	-	- Unsecured, unguaranteed and non-interest bearing advances
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
Fellow subsidiary	-	-	

As at and for the year ended December 31, 2021

	Transactions for the year	Outstanding balance	Terms and conditions
Deposits to:			
Parent Bank	252,031,831	956,238,552	These are demand, savings and time deposits bearing the following average interest rates: Savings - 0.66% to 1.11% Time - 1.68% to 2.83%
Fellow subsidiary	14,021,013	51,493,086	
	266,052,844	1,007,731,638	
Deposits from:			These are time deposits bearing average interest rates of 1.13% to 1.14%.
Fellow subsidiary	(1,700,000)	-	
	(1,700,000)	-	
Accounts receivable:			
Parent Bank	2,621,091	2,621,091	- Unsecured, unguaranteed and non-interest bearing advances
	2,621,091	2,621,091	
Accounts payable:			
Parent Bank	528,954,661	458,514,072	- 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
Fellow subsidiary	31,546,437		
	560,501,098	458,514,072	

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	2022	2021
Interest income	2		
Parent Bank		1,082,881	393,402
Fellow subsidiaries		-	16,187
Interest income		1,082,881	409,589
Interest expense			
Fellow subsidiaries		-	-
Shared operating costs [Refer to Note (a) below]			
Parent Bank		231,044,941	191, 962, 466
Fellow subsidiaries		-	227,506
	15	231,044,941	192,189,972
Occupancy and equipment related costs [Refer to Note (b) below]			
Parent Bank		147,186,032	298,541,468
Office rental [Refer to Note (c) below]			
Parent Bank		7,812,673	9,306,833
Fellow subsidiaries		-	589,341
		7,812,673	9,896,174
Other income			
Fellow subsidiaries		2,469,250	3,096,712
Other expense			
Parent Bank		17,687,452	29,143,894
Fellow subsidiaries		32,825,820	30,729,589
		50,513,272	59,873,483
Retirement benefits		634,820	642,173
Salaries, allowances and other short-term benefits			
Key management personnel		10,259,443	8,267,126
Directors' remuneration		5,550,000	5,850,000

(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.

The Bank has no DOSRI loans at December 31, 2022 and 2021.

The Bank is in full compliance with the General Banking Act as at December 31, 2022 and 2021.

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

Note 19 - Other commitments and contingent liabilities

As a result of the merger that took place in 2016, the existing lease agreements by BanKo 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	2022	2021
Right-of-use assets (included in Bank premises, furniture and equipment, net under Building)	7	267,021,068	215,282,589
Lease liabilities (included in Other liabilities)	12		
Current		32,105,608	19,918,646
Non-current		252,310,534	218,143,728
		284,416,142	238,062,374

Additions to the right-of-use assets in 2022 aggregated P179 million (2021 - P32 million) (Note 7).

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

	2022	2021
Balance, January 1	238,062,374	330,620,134
Additions during the year		
Lease liabilities on contracts entered	190,499,762	28,396,648
Interest accretion on lease liabilities	17,597,440	20,598,803
Pre-terminated lease	(3,880,928)	-
Payments during the year		
Principal portion of lease liabilities	(140,383,071)	(121,340,642)
Interest on lease liabilities	(17,479,435)	(20,212,569)
Balance, December 31	284,416,142	238,062,374

Total cash outflow for leases in 2022 amounted to P157.9 million (2021 - P141.6 million).

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

	2022	2021
Depreciation expense		
Building (Note 7)	123,740,928	119,990,922
Interest expense on lease liabilities	17,597,440	20,598,803
Expenses relating to low-value leases	17,437,212	16,876,749
	158,775,580	157,466,474

Note 20 - Critical accounting estimates and judgments

The Bank makes judgments, estimates and assumptions that affect the reported amounts of resources and liabilities. Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It is reasonably possible that the outcomes within the next financial year could differ from judgments, estimates and assumptions made at reporting date and could result in the adjustment to the carrying amount of affected assets and liabilities.

20.1 Critical accounting estimates

(i) Measurement of the expected credit loss (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.

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%	3.45
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

2021

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	7.4%	6.3%	8.4%	7.3%	4.4%	3.3%
Inflation Rate (%)	3.5%	3.2%	2.5%	2.2%	4.5%	4.2%
PDST-R2 5Y (%)	4.6%	3.7%	4.3%	3.4%	6.1%	5.2%
US Treasury 5Y (%)	1.5%	2.8%	1.2%	2.3%	1.8%	3.0%
Exchange Rate	52.50	55.23	51.92	53.93	53.10	56.59

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 P0.0047 million from the baseline scenario as at December 31, 2022 (2021 - P0.68 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 P1.4 million as at December 31, 2022 (2021 - P2.2 million).

(ii) Fair value of financial instruments (Note 21.6)

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.

(iii) Pension liability on defined benefit plan (Note 17)

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 in Note 17 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, 2022 and 2021 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.

The sensitivity analysis on key assumptions is disclosed in Note 17.

(iv) Valuation of assets held for sale

In determining the fair value of assets held for sale, the Bank analyzed the sales prices by applying appropriate units of comparison, adjusted by differences between the subject asset or property and related market data. Should there be a subsequent write-down of the asset to fair value less cost to sell, such write-down is recognized as provision for impairment in the statement of income.

In 2022, the Bank has recognized provision for impairment loss on its foreclosed assets amounting to P801,586 (2021 - P728,103) as a result of the decline in fair market values of properties.

The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the fair value of assets held for sale.

(v) Useful lives of bank premises, furniture, fixtures and equipment (Note 7)

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.

(vi) Determination of incremental borrowing rate (Note 19)

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 2.97% to 7.71% (2021 - 2.58% to 4.68%).

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

20.2 Critical accounting judgments

(i) Determining the lease term (Note 19)

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.

(ii) Classification of assets held for sale

Management follows the principles in PFRS 5 in classifying certain foreclosed assets (consisting of real estate and auto or chattel) as assets held for sale when the carrying amount of the assets will be recovered principally through sale. Management is committed to a plan to sell these foreclosed assets and the assets are actively marketed for sale at a price that is reasonable in relation to their current fair value.

(iii) Realization of deferred income tax assets (Note 8)

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.

Note 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 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 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 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.

Classifications	PL, Auto, Housing	Self-employed and microentrepreneurs
Standard monitoring	Current to 30 dpd	Current to 7 dpd
Special monitoring	31-90 dpd	-
Default	>90, IL, Loss	8 dpd and up

(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)

(b) 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

	2022			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring	15,485,282,898	65,390,924	-	15,550,673,822
Special monitoring	579,435	170,832,187	-	171,411,622
Default	-	-	1,856,259,904	1,856,259,904
Gross carrying amount	15,485,862,333	236,223,111	1,856,259,904	17,578,345,348
Loss allowance	(528,110,999)	(7,088,513)	(1,364,010,949)	(1,899,210,461)
Carrying amount	14,957,751,334	229,134,598	492,248,955	15,679,134,887

	2021			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring	10,700,783,295	128,926,894	-	10,829,710,189
Special monitoring	1,493,113	165,298,127	-	166,791,240
Default	-	-	1,808,328,188	1,808,328,188
Gross carrying amount	10,702,276,408	294,225,021	1,808,328,188	12,804,829,617
Loss allowance	404,708,603	10,578,351	1,422,760,434	1,838,047,388
Carrying amount	11,106,985,011	304,803,372	3,231,088,622	14,642,877,005

Treasury and other investment securities

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

	2022	2021
Due from other banks	767,097,024	1,088,893,413
Interbank loans receivable	135,594,884	362,630,232
Due from BSP	4,334,661,084	4,326,564,677
	5,237,352,992	5,778,088,322

Credit quality of other financial assets

	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 receivables	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

	2021			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade				
Standard monitoring				
Due from other banks	1,088,893,413	-	-	1,088,893,413
Interbank loans receivables	362,630,232	-	-	362,630,232
Due from BSP	4,326,564,677	-	-	4,326,564,677
Gross carrying amount	5,778,088,322	-	-	5,778,088,322
Loss allowance	-	-	-	-
Carrying amount	5,778,088,322	-	-	5,778,088,322

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 receivables 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.

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:

	2022			2021		
	Gross exposure	Impairment allowance	Carrying amount	Gross exposure	Impairment allowance	Carrying amount
Credit-impaired assets						
Corporate entities	50,000,000	(50,000,000)	-	50,000,000	(50,000,000)	-
Retail customers	1,806,259,904	(1,314,010,949)	492,248,955	1,656,162,074	(944,002,872)	712,159,202
Total credit-impaired assets	1,856,259,904	(1,364,010,949)	492,248,955	1,706,162,074	(994,002,872)	712,159,202
Fair value of collateral	114,072,466			157,870,509		

As at December 31, 2022, the Bank acquired assets by taking possession of collaterals held as security for loans and advances with carrying amount of P434,124,317 (2021 - P8,063,567). The related foreclosed collaterals at December 31, 2022 have aggregate fair value of P114,072,466 (2021 - P9,694,350).

As at December 31, 2022, the allowance for impairment of foreclosed collateral amounts to P2,534,137 (2021 - P4,172,149). 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, 2022

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance, beginning	413,613,075	10,578,351	1,463,855,956	1,888,047,382
Movements with P&L impact				
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	(16,486,703)	(14,965,062)
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)	(344,388,672)
Changes in assumptions and other movements in provision	42,172,483	25,943,012	(9,920,765)	58,194,732
	124,330,392	(3,491,145)	576,006,940	696,846,187
Write-offs and other movements	(927,996)	1,307	(684,756,427)	(685,683,116)
Loss allowance, ending	537,015,472	7,088,513	1,355,106,468	1,899,210,453

For the year ended December 31, 2021

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance, beginning	639,026,984	33,767,765	1,368,737,048	2,041,531,797
Movements with P&L impact				
Transfers:				
Transfer in (out of) Stage 1	(287,086,253)	3,499,818	471,327,980	187,741,545
Transfer in (out of) Stage 2	1,289,368	(20,957,305)	36,733,077	17,065,140
Transfer in (out of) Stage 3	7,105,715	2,355,433	(105,437,615)	(95,976,467)
New financial assets originated	523,354,755	-	-	523,354,755
Financial assets derecognized during the year	(367,213,830)	(3,772,425)	(178,541,744)	(549,527,999)
Changes in assumptions and other movements in provision	(96,869,300)	(3,126,717)	590,418,338	490,422,321
	(219,419,545)	(22,001,196)	814,500,035	573,079,294
Write-offs and other movements	(5,994,365)	(1,188,218)	(719,381,127)	(726,563,710)
Loss allowance, ending	413,613,075	10,578,351	1,463,855,956	1,888,047,382

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 2022 and 2021 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	Private households	Others	Less - Allowance	Total
At December 31, 2022							
Due from other banks	767,097,024	-	-	-	-	-	767,097,024
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	-	-	-	-	104,480,947	(15,622,429)	88,858,518
	833,360,136	489,299,468	1,298,628,773	-	20,163,296,018	(1,914,832,882)	20,869,751,513

	Financial Institutions	Manufacturing	Business services and real estate	Private households	Others	Less - Allowance	Total
At December 31, 2021							
Due from other banks	1,088,893,413	-	-	-	-	-	1,088,893,413
Due from BSP	-	-	-	-	4,326,564,677	-	4,326,564,677
Loans and advances, net	71,386,554	472,440,216	1,472,008,909	-	10,838,993,938	(1,888,047,380)	10,966,782,237
Other resources, net	-	-	-	-	101,075,260	(6,522,387)	94,552,873
	1,160,279,967	472,440,216	1,472,008,909	-	15,266,633,875	(1,894,569,767)	16,476,793,200

21.2 Market risk

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 Risk Management Office and confirmed by the BOD.

Market risk management

Market risk management is incumbent on the Board of Directors 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 Risk Management Office, headed by the Bank's Chief Risk Officer who reports directly to the 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 2022 is at 501,054 (2021 - 342).

21.3 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, 2022					
Financial assets					
Cash and other cash items	-	-	-	250,147,358	250,147,358
Due from other banks	-	-	-	767,097,024	767,097,024
Due from BSP	-	-	-	4,334,661,084	4,334,661,084
Financial assets at FVOCI	-	-	-	-	-
Loans and advances, net	893,089,329	392,718,091	(8,193,392)	14,401,520,811	15,679,134,839
Other resources, net	-	-	-	104,480,947	104,480,947
Total financial assets	893,089,329	392,718,091	(8,193,392)	19,857,907,224	21,135,521,252
Financial liabilities					
Deposit liabilities	16,736,971,030	55,470,394	-	-	16,792,441,424
Accrued interest and other expenses	-	-	-	223,239,533	223,239,533
Other liabilities	-	-	-	773,669,248	773,669,248
Total financial liabilities	16,736,971,030	55,470,394	-	996,908,781	17,789,350,205
Total interest gap	(15,843,881,701)	337,247,697	(8,193,392)	18,860,998,443	3,346,185,986

	Up to 1 year	Over 1 year and up to 3 years	Over 3 years	Non-repricing	Total
As at December 31, 2021					
Financial assets					
Cash and other cash items	-	-	-	288,788,443	288,788,443
Due from other banks	-	-	-	1,088,893,413	1,088,893,413
Due from BSP	-	-	-	4,326,564,677	4,326,564,677
Financial assets at FVOCI	-	-	-	-	-
Loans and advances, net	1,157,092,053	249,702,102	104,799,488	11,343,290,448	12,854,884,092
Other resources, net	-	-	-	101,075,260	101,075,260
Total financial assets	1,157,092,053	249,702,102	104,799,488	17,148,612,241	18,660,205,885
Financial liabilities					
Deposit liabilities	7,493,037,073	4,142,020,075	6,213,030,113	-	17,848,087,261
Accrued interest and other expenses	-	-	-	223,239,533	223,239,533
Other liabilities	-	-	-	773,669,248	773,669,248
Total financial liabilities	7,493,037,073	4,142,020,075	6,213,030,113	996,908,781	18,844,996,042
Total interest gap	(6,335,945,020)	(3,892,317,973)	(6,108,230,625)	16,151,703,460	(184,790,157)

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 2022 amounts to P197,000,000 (2021 - P59,000,000).

21.4 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.

	2022	2021
Financial assets		
Due from other banks	196,509,221	212,954,468
Other resources	145,082	121,230
	196,654,303	213,075,698
Financial liabilities		
Deposit liabilities	174,735,563	193,480,673
Accrued interest	-	-
	174,735,563	193,480,673
Net foreign exchange exposure	21,918,740	19,595,025

At December 31, 2022, if the Philippine Peso had weakened/strengthened by 5% (2021 - 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, 2022 would have been P821,958 higher/lower (2021 – P756,007higher/lower), mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated deposits with other banks and deposit liabilities.

21.5 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.

21.5.1 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:

	2022	2021
Liquidity coverage ratio	231.13%	286.33%
Net stable funding ratio	137%	165%
Leverage ratio	16.30%	14.41%
Total exposure measure	22,381,413,480	18,518,081,801

21.5.2 Funding approach

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

21.5.3 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
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	135,594,884	-	-	135,594,884
Due from BSP	4,334,661,084	-	-	4,334,661,084
Investment securities at FVOCI	14,939	-	-	14,939
Loans and advances	893,089,329	392,718,091	(8,193,392)	1,277,614,028
Other resources	238,337,853	-	-	238,337,853
Total financial assets	6,618,942,471	392,718,091	(8,193,392)	7,003,467,170
Financial liabilities				
Deposit liabilities	16,736,971,030	55,470,394	-	16,792,441,424
Accrued interest and other Expense	331,803,210	-	-	331,803,210
Other liabilities	-	-	1,151,157,628	1,151,157,628
Total financial liabilities	17,068,774,240	55,470,394	1,151,157,628	18,275,402,262
Total maturity gap	(10,449,831,769)	337,247,697	(1,159,351,020)	(11,271,935,092)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2021				
Financial assets				
Cash and other cash items	288,788,443	-	-	288,788,443
Due from other banks	1,088,893,413	-	-	1,088,893,413
Interbank loans	362,630,232	-	-	362,630,232
Due from BSP	4,326,564,677	-	-	4,326,564,677
Investment securities at FVOCI	17,123	-	-	17,123
Loans and advances	1,157,092,053	249,702,102	11,448,089,937	12,854,884,092
Other resources	264,020,980	-	-	264,020,980
Total financial assets	7,488,006,921	249,702,102	11,448,089,937	19,185,798,960
Financial liabilities				
Deposit liabilities	7,493,037,073	4,142,020,075	6,213,030,113	17,848,087,262
Accrued interest and other Expense	208,171,365	-	-	208,171,365
Other liabilities	-	-	773,669,250	773,669,250
Total financial liabilities	7,701,208,438	4,142,020,075	6,986,699,363	18,829,927,877
Total maturity gap	(213,201,517)	(3,892,317,973)	4,461,390,574	355,871,083

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

21.6 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	
	2022	2021	2022	2021
Financial assets				
Cash and other cash items	250,147,358	288,788,443	250,147,358	288,788,443
Due from other banks	767,097,024	1,088,893,413	767,097,024	1,088,893,413
Interbank loans receivable	135,594,884	362,630,232	135,594,884	362,630,232
Due from BSP	4,334,661,084	4,326,564,677	4,334,661,084	4,326,564,677
Loans and advances, net	15,679,134,887	10,966,782,236	15,679,134,887	10,966,782,236
Other resources, net	238,337,853	264,020,980	238,337,853	264,020,980
Financial liabilities				
Deposit liabilities	16,792,441,424	14,277,235,315	16,792,441,424	14,277,235,315
Accrued interest and other expenses	331,803,210	208,171,365	331,803,210	208,171,365
Other liabilities	1,129,339,083	773,669,250	1,129,339,083	773,669,250

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

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.

21.6.1 Fair value hierarchy

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

	Fair value		
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
Due from BSP	-	135,594,884	135,594,884
Loans and advances, net	-	15,679,134,887	15,679,134,887
Other resources, net	-	238,337,853	238,337,853
Financial liabilities			
Deposit liabilities	-	16,792,441,424	16,792,441,424
Accrued interest and other expenses	-	331,803,210	331,803,210
Other liabilities	-	1,129,339,083	1,129,339,083

	Fair value		
2021	Level 1	Level 2	Total
Recurring measurements			
Financial assets at FVOCI			
Equity security	17,123	-	17,123
	17,123	-	17,123

Non-recurring measurements			
Assets held for sale, net	-	90,530,113	90,530,113

2021	Fair value Level 1	Level 2	Total
Financial assets			
Cash and other cash items	-	288,788,443	288,788,443
Due from other banks	-	1,088,893,413	1,088,893,413
Due from BSP	-	4,326,564,677	4,326,564,677
Loans and advances, net	-	10,966,782,236	10,966,782,236
Other resources, net	-	247,944,225	247,944,225
Financial liabilities			
Deposit liabilities	-	14,277,235,315	14,277,235,315
Accrued interest and other expenses	-	223,239,533	223,239,533
Other liabilities	-	773,669,248	773,669,248

There are no transfers between the fair value hierarchy above for the years ended December 31, 2022 and 2021.

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:

	2022	2021
Tier 1 capital	4,165,669,372	3,202,409,332
Tier 2 capital	141,119,944	104,489,865
Gross qualifying capital	4,306,789,316	3,306,899,197
Less: Required deductions	517,531,626	534,355,986
Total qualifying capital	3,789,257,690	2,772,543,211
Risk weighted assets	20,571,489,815	15,564,740,408
CET1	17.73%	17.14%
CAR (%)	18.42%	17.81%

The Bank has fully complied with the CAR requirement of the BSP as at December 31, 2022 and 2021.

Note 23 - Summary of significant accounting policies

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 these 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 higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 20.

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, 2022:

- Amendment to PAS 16, '*Property, Plant and Equipment*'

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling the items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'*

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to PFRSs 2018-2020

  The following improvements were finalized in May 2020:

  i. PFRS 9, 'Financial Instruments', clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

  ii. PFRS 16, 'Leases', amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments did not have a material impact on the financial statements of the Bank.

New standards and amendments to existing standards not yet adopted by the Bank

The following new accounting standards and amendments to existing standards are not mandatory for December 31, 2022 reporting period and have not been early adopted by the Bank:

- Amendments to PAS 1, *'Presentation of Financial Statements'*

  The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' 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.

- Amendment to PAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, *'Income Taxes*

  The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Bank.

23.2 Business combination between entities under common control

Business combinations under common control are accounted for using the predecessor cost method following the guidance under the PIC Q&A No. 2011-02 and PIC Q&A 2012-01. Under this method, the Bank does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination.

The financial statements incorporated the net assets and results of operations of the combining entities or businesses at the date of acquisition. The difference between the consideration given and the aggregate book value of the assets and liabilities acquired as of the date of the transaction are included in "Other reserves" under the equity account.

23.3 Financial assets

23.3.1 Classification

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

- those to be measured subsequently at fair value through profit or loss (FVTPL);
- those to be measured subsequently at 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 fair value, gains and losses will either be recorded in profit or loss or 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.

23.3.2 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.

23.3.3 Measurement

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

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The Bank classifies its debt instruments at amortized cost. As at December 31, 2022 and 2021, the Bank did not have any debt instruments classified and measured at FVTPL or FVOCI.

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at 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, 2022 and 2021 include cash and other cash items, due from BSP, due from other banks, interbank loans receivables, 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 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." 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

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Bank subsequently measures equity investments at FVTPL, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. 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, 2022 and 2021 is measured at FVOCI.

23.3.4 Impairment of financial assets at FVOCI and at amortized costs

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.

23.3.5 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.x
- 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.

Loan modifications in compliance with Bayanihan Acts 1 and 2, are treated in line with the Bank's policies discussed above.

23.3.6 Derecognition of financial assets other than modification

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have ceased, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank derecognizes financial assets if the principal terms and conditions have been modified in accordance with a new (restructured) agreement setting forth a new plan of payment or a schedule of payment on a periodic basis. Derecognition of loan is necessary in cases where the deterioration in the financial position of the borrower is such that the borrower can no longer service his debt, whether principal and/or interest, according to existing terms and conditions. This would have been brought about by major operating losses and/or serious and sustained impairment in cash flow, in turn caused by factors such as adverse economic and industry trends, contraction of markets or revenue sources, heavy debt burden, poor business/financial management, labor unrest, and product obsolescence which contributed to business financial difficulty.

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.

23.3.7 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, 2022 was P684.48 million. (2021 - P725.33 million). The write-off of loans is being approved by the BOD in compliance with the BSP requirements.

23.4 Financial liabilities

23.4.1 Classification

The Bank classifies its financial liabilities in the following categories: at FVTPL and at amortized cost. The Bank has only financial liabilities at amortized cost as at December 31, 2022 and 2021.

Financial liabilities at amortized cost pertain to financial instruments not classified at FVTPL and contain obligations to deliver cash or another financial assets to settle the obligations.

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

23.4.2 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.

23.4.3 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).

23.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

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.

Financial instruments

The Bank classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp. (PDEX), etc.).

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the over-the-counter ("OTC") derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.

- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. The Bank has no assets or liabilities classified under Level 3 as at December 31, 2022 and 2021.

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, 2022 and 2021.

23.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of condition when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. As at December 31, 2022 and 2021, there are no financial assets and liabilities that have been offset.

23.7 Bank premises, furniture, fixtures and equipment

Bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of an asset which comprises its purchase price, import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 furniture, fixtures and equipment is calculated using the straight-line method to allocate their cost less residual values over the useful lives of three to five years.

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
FFE-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.

An item of Bank premises, furniture, fixtures and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

23.8 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.

23.9 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.

23.10 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.

23.11 Accrued expenses and other liabilities

Accrued expenses and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Bank is established.

Accrued expenses and other liabilities are derecognized upon settlement, or when discharged, cancelled or expired.

23.12 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.

23.13 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.

23.14 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. Fees and commission arising from loans, deposits and other banking transactions are recognized as income based on agreed terms and conditions.

23.15 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.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

23.16 Income taxes

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized.

Deferred income tax liabilities are recognized in full for all taxable temporary differences. 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

23.17 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.

23.18 Share capital; Surplus

Share capital represents common shares.

Incremental costs directly attributable to the issue of new shares are shown in capital funds as a deduction from the proceeds, net of tax.

Surplus includes current and prior years' results of operations, with the excess being declared for dividend payout or reserved for the Bank's future use.

23.19 Dividends on common shares

Dividends are recognized as a liability in the Bank's financial statements in the year in which they are approved by the Board of Directors.

23.20 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.

23.21 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

23.22 Contingencies

Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

23.23 Subsequent events (or Events after the reporting date)

Post year-end events that provide additional information about the Bank's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Note 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:

	2022	2021
Return on average equity[1]	25.33%	11.65%
Return on average assets[2]	5.14%	1.82%
Net interest margin[3]	22.88%	19.08%

[1]Net income divided by average total equity for the period indicated. Average equity is based on the daily average balance of equity for the years ended December 31, 2022 and 2021.
[2]Net income divided by average total assets as at period indicated. Average total assets are based on the daily average balance of total assets as at December 31, 2022 and 2021.
Net interest income divided by average interest-earning assets. Average interest earning assets is based on the daily average balance of interest earning assets as at December 31, 2022 and 2021.

(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, 2022 and 2021.

(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:

	2022	2021
Private household with employed persons	34.0	46.6
Wholesale and retail trade	29.0	32.3
Real estate, renting and other related activities	8.0	11.5
Manufacturing	19.0	3.6
Others	10.0	6.0
	100.0	100.0

(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:

	2022	2021
Secured loans		
Real estate mortgage	1,340,516,356	1,157,249,284
Chattel mortgage	313,850	540,741
	1,340,830,206	1,157,790,025
Unsecured loans	15,693,634,928	11,303,588,435
	17,034,465,134	12,461,378,460

Non-performing loans, net of allowance for credit losses, at December 31 are as follows:

	2022	2021
Non-performing loans (NPL)	1,442,676,019	1,536.971,505
Accounts with specific allowance for credit losses	(1,056,756,930)	(944,002,872)
Net NPL	385,919,089	592,968,633

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 as at December 31, 2022 and 2021.

(vi) Liabilities and assets pledged as security

There are no loans and advances at December 31, 2022 and 2021 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, 2022 and 2021.

Note 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

	2022	2021
Deposit and loan documents	122,923,600	109,919,951
Others	465,600	11,007,810
	123,389,200	120,927,761

(ii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2022 consist of:

	Paid	Accrued	Total
Creditable income taxes withheld (expanded)	24,974,359	3,697,063	28,671,422
Final income taxes withheld on interest on deposits and yield on deposit substitutes	5,019,893	631,120	5,651,013
Income taxes withheld on compensation	20,792,622	1,151,024	21,943,646
Final income taxes withheld on the amount withdrawn from decedent's deposit account	47,203	38,300	85,503
Final income taxes withheld on income payment	77,408	-	77,408
	50,911,485	5,517,507	56,428,992

Withholding tax payable is presented as part of 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, 2022 consist of:

	Paid	Accrued	Deferred	Total
Gross receipts tax	243,554,562	-	74,212,659	317,767,221
Municipal taxes / Mayor's permit	26,267,410	-	-	26,267,410
Fringe benefits tax	141,446	18,846	-	160,292
Real property tax	1,275,383	-	-	1,275,383
Others	69,075	-	-	69,075
	271,307,876	18,846	74,212,659	345,539,381

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 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.

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BPI Direct BanKo, Inc., A Savings Bank

(Formerly BPI Direct Savings Bank, Inc.)

Foreign Currency Deposit Unit

Financial Statements
As at and for the years ended December 31, 2022 and 2021

Isla Lipana & Co.

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholder of
BPI Direct BanKo, Inc., A Savings Bank
(Formerly BPI Direct Savings Bank, Inc.)
G/F BanKo Center Building
Ortigas Avenue, North Greenhills
San Juan, 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 the Foreign Currency Deposit Unit (FCDU) of BPI Direct BanKo, Inc., A Savings Bank (the "Bank") as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the reporting guidelines of the Bangko Sentral ng Pilipinas, as shown in the books maintained in the Philippines.

What we have audited

The financial statements of the Bank comprise:

- the statements of condition as at December 31, 2022 and 2021;
- the statements of income for the years ended December 31, 2022 and 2021;
- the statements of comprehensive income for the years ended December 31, 2022 and 2021;
- the statements of changes in due from regular banking unit for the years ended December 31, 2022 and 2021;
- the statements of cash flows for the years ended December 31, 2022 and 2021; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

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 Code of Ethics.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 10 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the reporting guidelines prescribed by the Bangko Sentral ng Pilipinas. As a result, the financial statements may not be suitable for other purpose. Our report is intended solely for the information and use of the management of the Bank, and for the purposes of submission to the Bangko Sentral ng Pilipinas and the 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 and fair presentation of the financial statements in accordance with the reporting guidelines of the Bangko Sentral ng Pilipinas, 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.

Isla Lipana & Co.

Ruth F. Blasco
Partner
CPA Cert No. 112595
P.T.R. No. 0018519, issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors 112595-SEC, Category A; valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 235-725-236
BIR A.N. 08-000745-133-2020, issued on June 5, 2020; effective until June 4, 2023
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 22, 2023

BPI Direct BanKo, Inc., A Savings Bank
(Formerly BPI Direct Savings Bank, Inc.)
Foreign Currency Deposit Unit

Statements of Condition
December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
RESOURCES			
Due from other banks	2,7	196,509,221	212,954,469
Other resources		18,114	5,093
Total resources		196,527,335	212,959,562
LIABILITIES AND DUE FROM REGULAR BANKING UNIT			
Deposit liabilities	3	174,735,563	193,480,673
Accrued interest payable		8,573	83,231
Other liabilities		21,793,806	20,108,899
Total liabilities		196,537,942	213,672,803
Due from regular banking unit		(10,607)	(713,241)
Total liabilities and due from regular banking unit		196,527,335	212,959,562

(The notes on pages 1 to 13 are an integral part of these financial statements.)

BPI Direct BanKo, Inc., A Savings Bank
(Formerly BPI Direct Savings Bank, Inc.)
Foreign Currency Deposit Unit

Statements of Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Interest income	2	754,766	191,890
Interest expense	3	(412,100)	(466,382)
Net interest income		342,666	(274,492)
Service fee income	4	139,523	237,938
Miscellaneous expenses	5	(376,017)	(647,856)
Income (loss) before income tax		106,172	(684,409)
Income tax expense	6	(116,780)	(28,832)
Net loss for the year		(10,607)	(713,241)

(The notes on pages 1 to 13 are an integral part of these financial statements.)

BPI Direct BanKo, Inc., A Savings Bank
(Formerly BPI Direct Savings Bank, Inc.)
Foreign Currency Deposit Unit

Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	2022	2021
Net loss for the year	(10,607)	(713,241)
Other comprehensive income	-	-
Total comprehensive loss for the year	(10,607)	(713,241)

(The notes on pages 1 to 13 are an integral part of these financial statements.)

BPI Direct BanKo, Inc., A Savings Bank
(Formerly BPI Direct Savings Bank, Inc.)
Foreign Currency Deposit Unit

Statements of Changes in Due from Regular Banking Unit
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	2022	2021
Balances at January 1	(713,241)	(743,224)
Comprehensive loss		
Net loss for the year	(10,607)	(713,241)
Other comprehensive income	-	-
Total comprehensive loss for the year	(10,607)	(713,241)
Transfer to regular banking unit	713,241	743,224
Balances at December 31	(10,607)	(713,241)

(The notes on pages 1 to 13 are an integral part of these financial statements.)

BPI Direct BanKo, Inc., A Savings Bank
(Formerly BPI Direct Savings Bank, Inc.)
Foreign Currency Deposit Unit

Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		106,172	(684,409)
Adjustments for:			
Interest income on deposits with banks	2	(754,766)	(191,890)
Interest received on deposits with banks		741,745	190,212
Interest expense on deposit liabilities	3	412,100	466,382
Interest paid on deposit liabilities		(486,758)	(383,436)
(Decrease) increase in:			
Deposit liabilities		(18,745,110)	(11,734,538)
Other liabilities		1,684,908	1,096,522
Net cash used in operations		(17,041,709)	(11,241,157)
Income taxes paid	6	(116,780)	(28,832)
Net cash used in operating activities		(17,158,489)	(11,269,989)
CASH FLOWS FROM FINANCING ACTIVITY			
Transfer to regular banking unit		713,241	743,224
NET DECREASE IN CASH		(16,445,248)	(10,526,765)
CASH	2		
January 1		212,954,469	223,481,234
December 31		196,509,221	212,954,469

(The notes on pages 1 to 13 are an integral part of these financial statements.)

BPI Direct BanKo, Inc., A Savings Bank
(Formerly BPI Direct Savings Bank, Inc.)
Foreign Currency Deposit Unit

Notes to the Financial Statements
As at and for the years ended December 31, 2022 and 2021
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 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 BanKo Center Building, Ortigas Avenue, North Greenhills, San Juan, Metro Manila.

The Bank has 2,376 regular employees as at December 31, 2022 (2021 - 2,727).

Coronavirus pandemic

As the Philippine economy fully reopens and society shifts into its new normal, the Bank's business model and operating environment have now fully integrated various business continuity plans enacted during the pandemic. These include, but are not limited to, changes in the workforce arrangements and set-up of corporate offices, allowing for hybrid schedules, split operations, and alternative work sites, all duly supported by the use of mobility tools and virtual communications. The Bank's accelerated digital transformation has also ensured continuous client service through its various distribution platforms while maintaining back-office efficiency. The Bank's robust risk management continues to guard against increasing cybersecurity risks heightened by remote and virtual work arrangements.

The Bank upholds a stringent credit process while also enhancing aspects of its underwriting, monitoring, and collections, in consideration of the changes in regulatory, economic, and competitive environment, and customer behaviors post-crisis. Monitoring vulnerable industries and sectors that have been affected by COVID-19 and having regular conversations with clients also continues.

Thus, the Bank's asset quality has remained resilient and more favorable than industry averages, displaying an improving trend across key metrics. The Bank's robust capital and liquidity levels also serve as sufficient buffers for any adverse scenario post-pandemic.

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 22, 2023.

Note 2 - Due from other banks

The account consists of deposits with the Parent Bank and a fellow subsidiary amounting to P196,509,221 at December 31, 2022 (2021 - P212,954,469).

Interest income recognized on deposits with banks amounts to P754,766 for the year ended December 31, 2022 (2021 - P191,890).

Due from other banks are classified as current as at December 31, 2022 and 2021.

Note 3 - Deposit liabilities

The account consists of savings deposits amounting to P174,735,563 at December 31, 2022 (2021 - P193,480,673). All of which are payable on demand.

Interest expense recognized on deposit liabilities amounts to P412,100 for the year ended December 31, 2022 (2021 - P466,382).

Note 4 - Service fee income

The account consists of service charges on deposit accounts for failure to meet minimum balance requirements which amount to P139,523 for the year ended December 31, 2022 (2021 - P237,938).

Note 5 - Miscellaneous expenses

The account mainly includes allocated costs from the Bank's regular banking unit (RBU) which amounts to P376,017 for the year ended December 31, 2022 (2021 - P647,856).

Note 6 - 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:

	2022		2021	
	Amount	Rate (%)	Amount	Rate (%)
Statutory income tax	26,543	25.00	(171,102)	(25.00)
Effects of items not subjected to statutory tax rate				
Non-deductible expenses	412,100	388.14	466,382	68.14
Income subjected to lower tax rates	(321,863)	(303.15)	(266,448)	(38.93)
Income tax expense	116,780	109.99	28,832	4.21

Note 7 - 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, 2022 of the FCDU pertain to deposits with the Parent Bank and a fellow subsidiary amounting to P196,509,221 (2021 - P212,954,469). Related interest income is disclosed in Note 2.

Note 8 - Other commitments and contingent liabilities

There are no outstanding commitments and contingent liabilities involving the Bank's FCDU as at December 31, 2022 and 2021.

Note 9 - 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.

9.1 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 P196,509,221 at December 31, 2022 (2021 - P212,954,469), which are deposited in reputable banks and are considered fully performing (Note 2). Deposits are made in the reputable banks with good credit ratings. Management has determined that there is a low risk of default on these deposits and has assessed that the said counterparties have 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, 2022 and 2021.

9.2 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:

	2022	2021
Financial assets		
Due from other banks	196,509,221	212,954,469
Other resources	18,114	5,093
Total financial assets	196,527,335	212,959,562
Financial liabilities		
Deposit liabilities	174,735,563	193,480,673
Accrued interest payable	8,573	83,231
Total financial liabilities	174,744,136	193,563,904
Total interest repricing gap	21,783,199	19,395,658

9.2.2 Foreign currency exchange risk

Foreign currency exchange risk is being managed on a Bank-wide basis. As at December 31, 2022 and 2021, 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.

9.3 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, 2022, which consist of savings deposits and accrued interest payable amounting to P174,735,563 and P8,572, respectively, (2021 - P193,480,673 and P83,231, 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, 2022 and 2021.

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.

9.4 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	
	2022	2021	2022	2021
Financial assets				
Due from other banks	196,509,221	212,954,469	196,509,221	212,954,469
Other resources	18,114	5,093	18,114	5,093
Financial liabilities				
Deposit liabilities	174,735,563	193,480,673	174,735,563	193,480,673
Accrued interest payable	8,573	83,231	8,573	83,231

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.

9.5 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 FCDU and regular banking books) under the Basel III framework for the years ended December 31:

	2022	2021
Tier 1 capital	4,165,669,372	3,202,409,332
Tier 2 capital	141,119,944	104,489,865
Gross qualifying capital	4,306,789,316	3,306,899,197
Less: Required deductions	517,531,626	534,355,986
Total qualifying capital	3,789,257,690	2,772,543,211
Risk weighted assets	20,571,489,815	15,564,740,408
CET1	17.73%	17.14%
CAR (%)	18.42%	17.81%

The Bank has fully complied with the CAR requirement of the BSP as at December 31, 2022 and 2021.

Note 10 - Summary of significant accounting policies

The accompanying financial statements reflect the accounts maintained by the FCDU of the Bank. The principal 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.

10.1 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 10.8.

The financial statements of the FCDU of the Bank have been prepared under the historical cost convention.

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.

10.1.1 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, 2022:

- Amendment to PAS 16, '*Property, Plant and Equipment*'

  The amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling the items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

- PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'*

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contract. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to PFRSs 2018-2020

  The following improvements were finalized in May 2020:

  i. PFRS 9, '*Financial Instruments*', clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

  ii. PFRS 16, *'Leases'*, amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments did not have a material impact on the financial statements of the Bank's FCDU.

(b) Amendments to existing standards not yet adopted by the Bank's FCDU

The following new accounting standards and amendments to existing standards are not mandatory for December 31, 2022 reporting period and have not been early adopted by the Bank's FCDU:

- Amendments to PAS 1, *'Presentation of Financial Statements'*

  The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  In addition, PAS 1 requires entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' 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.

- Amendment to PAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*

  The amendment clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

- Amendments to PAS 12, *'Income Taxes*

  The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with (a) right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Bank's FCDU.

10.2 Business combination between entities under common control

Business combinations under common control are accounted for using the predecessor cost method following the guidance under PIC Q&A No. 2011-02 and PIC Q&A 2012-01. Under this method, the Bank does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination.

The financial statements incorporated the net assets and results of operations of the combining entities or businesses at the date of acquisition.

10.3 Financial assets

10.3.1 Classification

The Bank, including the FCDU, classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss (FVTPL);
- 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 fair value, gains and losses will either be recorded in profit or loss or 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.

10.3.2 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. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

10.3.3 Measurement

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

At initial recognition, the Bank, including the FCDU, measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Based on these factors, the Bank, including the FCDU, classifies its debt instruments into one of the following three measurement categories:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Subsequent measurement of debt instruments depends on the FCDU's business model for managing the asset and the cash flow characteristics of the asset. The FCDU only has debt instrument measured at amortized cost. The FCDU does not hold any debt instruments measured at FVOCI and at FVTPL as at December 31, 2022 and 2021.

- *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, 2022 and 2021 include due from other banks (Note 2) and other resources.

  Cash and cash equivalents consist of deposits with the Parent Bank and with a fellow subsidiary.

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.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The FCDU does not hold equity instruments as at December 31, 2022 and 2021.

10.3.4 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.

10.4 Financial liabilities

10.4.1 Classification

The Bank, including the FCDU, classifies its financial liabilities in the following categories: financial liabilities at FVTPL, and financial liabilities at amortized cost. As at December 31, 2022 and 2021, the Bank has no financial liabilities classified at FVTPL.

Financial liabilities measured at amortized cost include deposit liabilities and accrued interest payable.

10.4.2 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.

10.4.3 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.

10.5 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

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

The Bank, including the FCDU, classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc.).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. The FCDU has no assets or liabilities classified under Level 3 as at December 31, 2022 and 2021.

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

10.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of condition when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the entity or the counterparty.

As at December 31, 2022 and 2021, there are no financial assets and liabilities that have been offset in FCDU books.

10.7 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, 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.

10.8 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 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, 2022 and 2021.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

10.9 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.

10.10 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 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.

10.11 Transfer to RBU

Transfer to RBU comprises actual transfer of net results of FCDU to the RBU, excluding unrealized foreign exchange gains and losses.

10.12 Expense allocation

Certain expenses of the Bank are allocated to the FCDU which takes into consideration the specific transactions of the FCDU.

10.13 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

10.14 Events after the reporting date

Post year-end events that provide additional information about the Bank's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.