



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

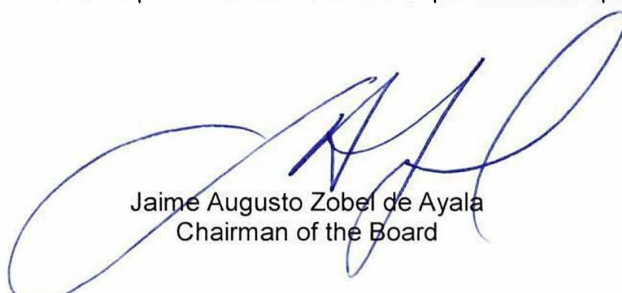
The management of Bank of the Philippine Islands (the "Bank") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

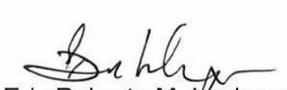
The Board of Directors is responsible for overseeing the Bank's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


Jaime Augusto Zobel de Ayala
Chairman of the Board

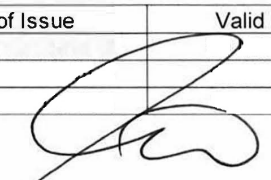

Jose Teodoro K. Limcaoco
President and Chief Executive Officer


Eric Roberto M. Luchangco
Senior Vice President
and Chief Finance Officer

SUBSCRIBED AND SWORN to before me at Makati City, Metro Manila this MAR 12 2024,
affiants exhibited to me their Passport with the following details:

Name	Passport No.	Date/Place of Issue	Valid Until
Jaime Augusto Zobel de Ayala			
Jose Teodoro K. Limcaoco			
Eric Roberto M. Luchangco			

Doc. No. 314
Page No. 69
Book No. 1
Series of 2024.


ATTY JOY ANN V. MEDIA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-426 UNTIL DEC. 31, 2024
ROLL OF ATTY. NO. 64221
MCLE COMPLIANCE NO. VII-0010710/02-18-2022
VALID UNTIL APRIL 14, 2025
IBP NO. 399196; MAKATI; 01.04.2024
PTR NO. 10081628; MAKATI CITY; 01.05.2024
28/F AYALA TRIANGLE GARDENS TOWER 2, MAKATI CITY

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

B	A	N	K		O	F		T	H	E		P	H	I	L	I	P	P	I	N	E		I	S	L	A	N	D	S

Principal Office (No./Street/Barangay/City/Town/Province)

2	2	/	F	-	2	8	/	F		A	Y	A	L	A		T	R	I	A	N	G	L	E						
G	A	R	D	E	N	S		T	O	W	E	R		2	,		P	A	S	E	O		D	E					
R	O	X	A	S		C	O	R	.		M	A	K	A	T	I		A	V	E	.	,							
B	E	L	-	A	I	R	,		M	A	K	A	T	I		C	I	T	Y		1	2	2	6					

Form Type

A	A	F	S
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Department requiring the report

S	E	C
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Secondary License Type, if applicable

	N	A
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COMPANY INFORMATION

Company's Email Address

corporate.secretary@bpi.com.ph

Company's Telephone Number(s)

8663-6525

Mobile Number

+639958726360

No. of Stockholders

11,760

Annual Meeting (Month/Day)

04/27

Fiscal Year (Month/Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Eric Roberto M. Luchangco

Email Address

emluchangco@bpi.com.ph

Telephone Number(s)

8663-6740

Mobile
Number

N/A

Contact Person's Address

Ayala Triangle Gardens Tower 2, Paseo De Roxas corner Makati Ave., Bel-Air, Makati City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.



Independent Auditor's Report

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") and the parent financial statements of the Bank of the Philippine Islands (the "Parent Bank") present fairly, in all material respects, the financial position of the BPI Group and of the Parent Bank as at December 31, 2023 and 2022, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards ("PFRSs").

What we have audited

The financial statements comprise:

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

Basis for Opinion

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

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Page 2

Independence

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

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and parent financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and parent financial statements as a whole, taking into account the structure of the BPI Group and the Parent Bank, the accounting processes and controls, and the industry in which the BPI Group and the Parent Bank operate.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit pertains to the impairment losses on loans and advances, which applies to both the BPI Group's and the Parent Bank's financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment losses on loans and advances We focused on this account because of the complexity involved in the estimation process, and the significant judgments that management makes in ascertaining the provision for loan impairment. The calculation of impairment losses is inherently judgmental for any bank. As at December 31, 2023, the total allowance for impairment for loans and advances amounted to PHP57,474 million for the BPI Group and PHP55,049 million for the Parent Bank while provision for loan losses recognized in profit or loss for the year then ended amounted to PHP3,940 million for the BPI Group and PHP2,164 million for the Parent Bank. Refer to Notes 10 and 26 of the financial statements for the details of the impairment losses on loans and advances. Provision for impairment losses on loans that are assessed to be individually credit impaired is determined in reference to the estimated future cash repayments and proceeds from the realization of collateral held by the BPI Group and the Parent Bank. For other loan accounts which are not individually credit impaired, these are included in a group of loans with similar risk characteristics and are collectively assessed on a portfolio basis using internal models developed by the BPI Group and the Parent Bank.	We assessed the design and tested the operating effectiveness of key controls over loan loss provisioning. These key controls included: • governance over the development, validation and approval of the BPI Group's ECL models to assess compliance with PFRS 9, including continuous re-assessment by the BPI Group that the impairment models are operating in a way which is appropriate for the credit risks in the BPI Group and the Parent Bank's loan portfolios; • review and approval of key judgments, assumptions and forward-looking information used in the ECL models; • review of data from source systems to the detailed ECL model analyses; • assessment of credit quality of loans and advances relative to the established internal credit risk rating system; • the review and approval process for the outputs of the impairment models; and • the review and approval process over the determination of credit risk rating, performance of credit reviews and calculation of required reserves for loans assessed as credit-impaired. Our work over the impairment of loans and advances included: • assessment of the methodology applied by the BPI Group and the Parent Bank in the development of the ECL models vis-a-vis the requirements of PFRS 9; • testing of key assumptions in the ECL models such as PD, LGD, EAD built from historical data. Our assessment included the involvement of our internal specialist.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Page 4

Key Audit Matter	How our audit addressed the Key Audit Matter
(cont'd.) Key elements in the impairment of loans and advances include: - the identification of credit-impaired loans, and estimation of cash flows (including the expected realizable value of any collateral held) supporting the calculation of individually assessed provisions; and - the application of appropriate impairment models for the collectively assessed accounts. This includes the use of key assumptions in the impairment models (i.e., staging of accounts, significant increase in credit risk, forward-looking information), the exposure at default (EAD), the probability of default (PD) and the loss given default (LGD). The impairment losses include both quantitative and qualitative components. In calculating the loan loss provisioning, the BPI Group and the Parent Bank applied the expected credit loss (ECL) calculation and post-model adjustments as allowed by Philippine Financial Reporting Standard (PFRS) 9, <i>Financial instruments</i>, which is a complex process that takes into account forward-looking information reflecting the BPI Group and the Parent Bank's view on potential future economic events.	- assessment of the appropriateness of the BPI Group's and the Parent Bank's definition of significant increase in credit risk and staging of accounts through analysis of historical trends and past credit behavior of loan portfolios; - independent comparison of economic information used within, and weightings applied to, forward-looking scenarios in the ECL calculation which includes assumptions used in the post-model adjustments, against available macro-economic data; - testing of the accuracy and completeness of data inputs in the ECL models and in the ECL calculation by comparing them with the information obtained from source systems; - testing the accuracy and reasonableness of the outputs of the ECL models through independent recalculation; - for a sample of individually assessed loans identified as credit-impaired, examined relevant supporting documents such as the latest financial information of the borrower or valuation of collateral used as a basis in estimating the recoverable amount and measuring the loan loss allowance; and - recalculation of the loan loss allowance for selected accounts and portfolios at reporting date using the ECL methodology adopted by the BPI Group and the Parent Bank.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Page 5

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report, but does not include the consolidated and parent financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditor's report.

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

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

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

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

In preparing the consolidated and parent financial statements, management is responsible for assessing the ability of each entity within the BPI Group and of the Parent Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entities within the BPI Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Page 6

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

- Identify and assess the risks of material misstatement of the consolidated and parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BPI Group's and of the Parent Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of each entity within the BPI Group and the Parent Bank to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entities within the BPI Group and the Parent Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent financial statements, including the disclosures, and whether the consolidated and parent financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BPI Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the BPI Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Independent Auditor's Report
To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Page 7

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and parent financial statements of the current period and is therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Bangko Sentral ng Pilipinas (BSP) Circular No. 1074 in Note 32 and Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010 in Note 33 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 supplementary information is the responsibility of the management of the BPI Group and the Parent Bank. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is
John-John Patrick V. Lim.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read "John-John Patrick V. Lim".

John-John Patrick V. Lim
Partner

CPA Cert. No. 83389

P.T.R. No. 0007706; issued on January 12, 2024, Makati City

T.I.N. 112-071-386

BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 21, 2024

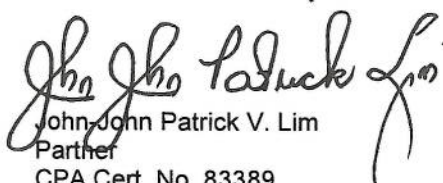


Statements Required by Rule 68 Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 21, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the BPI Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the BPI Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

Isla Lipana & Co.



John John Patrick V. Lim
Partner

CPA Cert. No. 83389

P.T.R. No. 0007706; issued on January 12, 2024, Makati City

T.I.N. 112-071-386

BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 21, 2024

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
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**Statements Required by Rule 68
Securities Regulation Code (SRC)**

To the Board of Directors and Shareholders of
Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

We have audited the consolidated financial statements of the Bank of the Philippine Islands and Subsidiaries (the "BPI Group") and the parent financial statements of the Bank of the Philippine Islands (the "Parent Bank") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated February 21, 2024. The supplementary information shown in the Reconciliation of the Parent Bank's Retained Earnings Available for Dividend Declaration, Map of the Conglomerate or Group of Companies within which the Bank of the Philippine Islands belongs effective as at December 31, 2023, as additional components required by Part I, Section 5 of Rule 68 of the Securities Regulation Code, and Schedules A, B, C, D, E, F and G, as required by Part II, Section 6 of Rule 68 of the Securities Regulation Code, is presented for the purposes of filing with the Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read "John John Patrick V. Lim".

John John Patrick V. Lim
Partner

CPA Cert. No. 83389

P.T.R. No. 0007706; issued on January 12, 2024, Makati City

T.I.N. 112-071-386

BIR A.N. 08-000745-017-2021, issued on November 23, 2021; effective until November 22, 2024

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
February 21, 2024

Isla Lipana & Co., 29th Floor, AIA Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines
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BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION December 31, 2023 and 2022 (In Millions of Pesos)

	Notes	Consolidated		Parent	
		2023	2022	2023	2022
ASSETS					
CASH AND OTHER CASH ITEMS	4	34,843	39,613	34,444	39,359
DUE FROM BANGKO SENTRAL NG PILIPINAS (BSP)	4	199,619	182,869	192,246	178,534
DUE FROM OTHER BANKS	4	36,292	45,190	33,081	43,096
INTERBANK LOANS RECEIVABLE AND SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL, net	4,5	20,643	12,382	17,342	11,631
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	6,7	23,654	22,133	17,456	16,941
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	8	218,654	95,267	214,183	92,153
INVESTMENT SECURITIES AT AMORTIZED COST, net	9	382,711	420,533	377,120	415,035
LOANS AND ADVANCES, net	10	1,882,007	1,702,990	1,849,840	1,680,684
ASSETS HELD FOR SALE, net		4,743	3,760	4,646	3,650
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT, net	11	19,751	19,355	18,401	18,721
INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES, net	12	8,287	7,227	15,526	15,406
ASSETS ATTRIBUTABLE TO INSURANCE OPERATIONS	2	19,067	19,060	-	-
DEFERRED INCOME TAX ASSETS, net	13	18,185	16,752	17,536	16,356
OTHER ASSETS, net	14	19,916	16,830	20,001	16,103
Total assets		2,888,372	2,603,961	2,811,822	2,547,669

(forward)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CONDITION December 31, 2023 and 2022 (In Millions of Pesos)

		Consolidated		Parent	
	Notes	2023	2022	2023	2022
LIABILITIES AND CAPITAL FUNDS					
DEPOSIT LIABILITIES	15	2,295,106	2,096,001	2,264,133	2,082,584
DUE TO BSP AND OTHER BANKS		1,881	2,887	1,881	2,811
DERIVATIVE FINANCIAL LIABILITIES	7	2,821	4,297	2,774	4,253
BILLS PAYABLE AND OTHER BORROWED FUNDS	16	137,104	97,503	133,726	93,002
MANAGER'S CHECKS AND DEMAND DRAFTS OUTSTANDING		8,463	6,755	8,431	6,751
ACCRUED TAXES, INTEREST AND OTHER EXPENSES		14,973	10,587	13,543	9,794
LIABILITIES ATTRIBUTABLE TO INSURANCE OPERATIONS	2	15,202	14,919	-	-
DEFERRED CREDITS AND OTHER LIABILITIES	17	53,452	51,208	51,031	49,445
Total liabilities		2,529,002	2,284,157	2,475,519	2,248,640
CAPITAL FUNDS ATTRIBUTABLE TO THE EQUITY HOLDERS					
OF BPI	18				
Share capital		49,307	49,193	49,307	49,193
Share premium		113,414	104,123	113,383	104,123
Treasury shares		-	(33,043)	-	(33,043)
Reserves		643	644	32,975	33,055
Accumulated other comprehensive loss		(11,127)	(14,256)	(9,076)	(11,843)
Surplus		204,967	211,061	149,714	157,544
		357,204	317,722	336,303	299,029
NON-CONTROLLING INTERESTS		2,166	2,082	-	-
Total capital funds		359,370	319,804	336,303	299,029
Total liabilities and capital funds		2,888,372	2,603,961	2,811,822	2,547,669

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF INCOME

For each of the three years in the period ended December 31, 2023
(In Millions of Pesos)

		Consolidated			Parent		
	Notes	2023	2022	2021	2023	2022	2021
INTEREST INCOME							
On loans and advances		120,900	84,909	72,225	114,050	80,724	53,426
On investment securities		21,737	16,863	10,436	21,466	16,683	9,949
On deposits with BSP and other banks		2,935	1,496	1,956	2,460	1,385	1,271
		145,572	103,268	84,617	137,976	98,792	64,646
INTEREST EXPENSE							
On deposits	15	36,027	14,821	10,168	34,934	14,711	5,587
On bills payable and other borrowed funds	16	5,195	3,381	4,866	4,956	3,273	4,396
		41,222	18,202	15,034	39,890	17,984	9,983
NET INTEREST INCOME		104,350	85,066	69,583	98,086	80,808	54,663
PROVISION FOR CREDIT AND IMPAIRMENT LOSSES	26	4,000	9,167	13,135	2,202	8,437	10,591
NET INTEREST INCOME AFTER PROVISION FOR CREDIT AND IMPAIRMENT LOSSES		100,350	75,899	56,448	95,884	72,371	44,072
OTHER INCOME							
Fees and commissions	19	12,717	11,339	11,204	11,166	9,516	9,051
Income from foreign exchange trading		3,223	2,617	2,384	3,205	2,511	2,206
Securities trading gain		1,919	857	97	1,827	831	4
Income attributable to insurance operations	2	1,843	1,379	1,854	-	-	-
Net gains on disposals of investment securities at amortized cost	9	2	214	1,513	2	214	1,166
Other operating income	19	14,267	17,053	10,770	12,741	14,565	13,026
		33,971	33,459	27,822	28,941	27,637	25,453
OTHER EXPENSES							
Compensation and fringe benefits	21	23,221	19,528	18,528	20,310	17,407	14,094
Occupancy and equipment-related expenses	11,20	22,012	18,761	16,010	20,139	17,124	13,352
Other operating expenses	21	23,877	19,701	16,195	22,142	18,195	12,220
		69,110	57,990	50,733	62,591	52,726	39,666
PROFIT BEFORE INCOME TAX		65,211	51,368	33,537	62,234	47,282	29,859
INCOME TAX EXPENSE	22						
Current		13,934	12,438	8,328	12,600	11,226	6,701
Deferred	13	(635)	(906)	1,099	(419)	(943)	375
		13,299	11,532	9,427	12,181	10,283	7,076
NET INCOME AFTER TAX		51,912	39,836	24,110	50,053	36,999	22,783
Attributable to:							
Equity holders of BPI		51,687	39,605	23,880	50,053	36,999	22,783
Non-controlling interests		225	231	230	-	-	-
		51,912	39,836	24,110	50,053	36,999	22,783
Basic and diluted earnings per share attributable to the equity holders of BPI during the year	18	10.90	8.78	5.29	10.56	8.20	5.05

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF TOTAL COMPREHENSIVE INCOME For each of the three years in the period ended December 31, 2023 (In Millions of Pesos)

	Note	Consolidated			Parent		
		2023	2022	2021	2023	2022	2021
NET INCOME FOR THE YEAR		51,912	39,836	24,110	50,053	36,999	22,783
OTHER COMPREHENSIVE INCOME (LOSS)	18						
Items that may be subsequently reclassified to profit or loss							
Share in other comprehensive income (loss) of associates		405	(1,015)	(728)	-	-	-
Net change in fair value reserve on investments in debt instruments measured at FVOCI, net of tax effect		556	(1,525)	(548)	546	(1,480)	(506)
Fair value reserve on investments of insurance subsidiaries, net of tax effect		90	(225)	(209)	-	-	-
Currency translation differences and others		(54)	(65)	627	-	-	291
Items that will not be reclassified to profit or loss							
Remeasurements of defined benefit obligation		(2,476)	(8)	608	(2,395)	120	431
Share in other comprehensive income of associates		49	687	448	-	-	-
Net change in fair value reserve on investments in equity instruments measured at FVOCI, net of tax effect		4,609	(3,503)	(3,041)	4,616	(3,658)	(2,753)
Total other comprehensive income (loss), net of tax effect		3,179	(5,654)	(2,843)	2,767	(5,018)	(2,537)
Total comprehensive income for the year		55,091	34,182	21,267	52,820	31,981	20,246
Attributable to:							
Equity holders of BPI		54,816	34,019	21,109	52,820	31,981	20,246
Non-controlling interests		275	163	158	-	-	-
		55,091	34,182	21,267	52,820	31,981	20,246

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS For each of the three years in the period ended December 31, 2023 (In Millions of Pesos)

Consolidated	Attributable to equity holders of BPI (Note 18)						Total	Non-controlling interests	Total capital funds
	Share capital	Share premium	Treasury shares	Reserves	Accumulated other comprehensive loss	Surplus			
Balance, January 1, 2021	45,045	74,764	-	416	(5,899)	165,509	279,835	2,122	281,957
Comprehensive income									
Net income for the year	-	-	-	-	-	23,880	23,880	230	24,110
Other comprehensive loss for the year	-	-	-	-	(2,771)	-	(2,771)	(72)	(2,843)
Total comprehensive income (loss) for the year	-	-	-	-	(2,771)	23,880	21,109	158	21,267
Transactions with owners									
Exercise of stock option plans	86	170	-	(41)	-	-	215	-	215
Cash dividends	-	-	-	-	-	(8,124)	(8,124)	(184)	(8,308)
Total transactions with owners	86	170	-	(41)	-	(8,124)	(7,909)	(184)	(8,093)
Other movements									
Transfer from surplus to reserves	-	-	-	189	-	(189)	-	-	-
Others	-	-	-	-	-	25	25	-	25
Total other movements	-	-	-	189	-	(164)	25	-	25
Balance, December 31, 2021	45,131	74,934	-	564	(8,670)	181,101	293,060	2,096	295,156
Comprehensive income									
Net income for the year	-	-	-	-	-	39,605	39,605	231	39,836
Other comprehensive loss for the year	-	-	-	-	(5,586)	-	(5,586)	(68)	(5,654)
Total comprehensive income (loss) for the year	-	-	-	-	(5,586)	39,605	34,019	163	34,182
Transactions with owners									
Issuance of shares as a consideration of the merger	4,062	28,981	(33,043)	-	-	-	-	-	-
Executive stock plan amortization	-	208	-	(8)	-	-	200	-	200
Cash dividends	-	-	-	-	-	(9,568)	(9,568)	(177)	(9,745)
Total transaction with owners	4,062	29,189	(33,043)	(8)	-	(9,568)	(9,368)	(177)	(9,545)
Other movements									
Transfer from surplus to reserves	-	-	-	73	-	(73)	-	-	-
Transfer from reserves to surplus	-	-	-	(2)	-	2	-	-	-
Others	-	-	-	17	-	(6)	11	-	11
Total other movements	-	-	-	88	-	(77)	11	-	11
Balance, December 31, 2022	49,193	104,123	(33,043)	644	(14,256)	211,061	317,722	2,082	319,804
Comprehensive income									
Net income for the year	-	-	-	-	-	51,687	51,687	225	51,912
Other comprehensive income for the year	-	-	-	-	3,129	-	3,129	50	3,179
Total comprehensive income for the year	-	-	-	-	3,129	51,687	54,816	275	55,091
Transactions with owners									
Executive stock plan exercise and amortization	114	342	-	(84)	-	-	372	-	372
Cash dividends	-	-	-	-	-	(15,934)	(15,934)	(191)	(16,125)
Dividends - treasury shares	-	8,949	33,043	-	-	(42,364)	(372)	-	(372)
Total transaction with owners	114	9,291	33,043	(84)	-	(58,298)	(15,934)	(191)	(16,125)
Other movements									
Transfer from surplus to reserves	-	-	-	13	-	(13)	-	-	-
Others	-	-	-	70	-	530	600	-	600
Total other movements	-	-	-	83	-	517	600	-	600
Balance, December 31, 2023	49,307	113,414	-	643	(11,127)	204,967	357,204	2,166	359,370

(The notes on pages 1 to 116 are an integral part of the financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CHANGES IN CAPITAL FUNDS For each of the three years in the period ended December 31, 2023 (In Millions of Pesos)

Parent (Note 18)	Share capital	Share premium	Treasury shares	Reserves	Accumulated other comprehensive loss	Surplus	Total capital funds
Balance, January 1, 2021	45,045	74,764	-	196	(4,288)	115,453	231,170
Comprehensive income							
Net income for the year	-	-	-	-	-	22,783	22,783
Other comprehensive loss for the year	-	-	-	-	(2,537)	-	(2,537)
Total comprehensive income (loss) for the year	-	-	-	-	(2,537)	22,783	20,246
Transactions with owners							
Exercise of stock option plans	86	170	-	(36)	-	-	220
Cash dividends	-	-	-	-	-	(8,124)	(8,124)
Total transactions with owners	86	170	-	(36)	-	(8,124)	(7,904)
Other movements	-	-	-	-	-	(12)	(12)
	86	170	-	(36)	-	(8,136)	(7,916)
Balance, December 31, 2021	45,131	74,934	-	160	(6,825)	130,100	243,500
Comprehensive income							
Net income for the year	-	-	-	-	-	36,999	36,999
Other comprehensive loss for the year	-	-	-	-	(5,018)	-	(5,018)
Total comprehensive income (loss) for the year	-	-	-	-	(5,018)	36,999	31,981
Transactions with owners							
Issuance of shares	4,062	28,981	(33,043)	-	-	-	-
Executive stock plan amortization	-	208	-	(10)	-	-	198
Cash dividends	-	-	-	-	-	(9,568)	(9,568)
Total transactions with owners	4,062	29,189	(33,043)	(10)	-	(9,568)	(9,370)
Other movements	-	-	-	32,905	-	13	32,918
	4,062	29,189	(33,043)	32,895	-	(9,555)	23,548
Balance, December 31, 2022	49,193	104,123	(33,043)	33,055	(11,843)	157,544	299,029
Comprehensive income							
Net income for the year	-	-	-	-	-	50,053	50,053
Other comprehensive income for the year	-	-	-	-	2,767	-	2,767
Total comprehensive income for the year	-	-	-	-	2,767	50,053	52,820
Transactions with owners							
Executive stock plan exercise and amortization	114	342	-	(80)	-	-	376
Cash dividends	-	-	-	-	-	(15,934)	(15,934)
Dividends - treasury shares	-	8,918	33,043	-	-	(42,364)	(403)
Total transactions with owners	114	9,260	33,043	(80)	-	(58,298)	(15,961)
Other movements	-	-	-	-	-	415	415
	114	9,260	33,043	(80)	-	(57,883)	(15,546)
Balance, December 31, 2023	49,307	113,383	-	32,975	(9,076)	149,714	336,303

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS

For each of the three years in the period ended December 31, 2023

(In Millions of Pesos)

		Consolidated			Parent		
	Notes	2023	2022	2021	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before income tax		65,211	51,368	33,537	62,234	47,282	29,859
Adjustments for:							
Impairment losses	26	4,000	9,167	13,135	2,202	8,437	10,591
Depreciation and amortization	11,14	6,615	5,445	6,249	6,195	4,871	5,213
Share in net income of associates	12	(1,372)	(1,055)	(1,086)	-	-	-
Dividend and other income	19	(100)	(60)	(30)	(3,066)	(1,810)	(6,939)
Share-based compensation	18	(84)	(8)	(41)	(80)	(11)	(36)
Profit from asset sold		(139)	(5,392)	-	(126)	(5,392)	-
Realized gain - investment securities		(949)	(189)	-	(949)	(189)	-
Interest income		(145,572)	(103,268)	(84,617)	(137,976)	(98,792)	(64,646)
Interest received		142,013	98,874	85,450	134,880	92,487	64,866
Interest expense		41,543	18,503	15,345	40,171	18,265	10,229
Interest paid		(38,683)	(17,238)	(15,352)	(37,801)	(17,061)	(10,214)
Decrease (increase) in:							
Interbank loans receivable and securities purchased under agreements to resell		4,117	(2,612)	(2,167)	4,058	(2,699)	(2,117)
Financial assets at fair value through profit or loss		(1,455)	(801)	16,134	(450)	(1,267)	18,548
Loans and advances, net		(181,412)	(231,573)	(82,837)	(170,155)	(221,575)	(68,754)
Assets held for sale		(761)	(914)	(355)	(773)	(927)	(168)
Assets attributable to insurance operations		254	(2,316)	450	-	-	-
Other assets		(5,753)	540	(4,046)	(6,564)	4,870	(4,556)
Increase (decrease) in:							
Deposit liabilities		199,096	140,855	238,976	181,540	132,034	205,581
Due to BSP and other banks		(1,151)	1,680	(232)	(1,075)	1,744	(371)
Manager's checks and demand drafts outstanding		1,708	(176)	(177)	1,680	(169)	(204)
Accrued taxes, interest and other expenses		798	1,382	(707)	730	1,133	(582)
Liabilities attributable to insurance operations		306	1,693	(1,290)	-	-	-
Derivative financial liabilities		(1,476)	665	(2,025)	(1,479)	708	(2,112)
Deferred credits and other liabilities		213	4,950	(337)	353	2,064	(1,735)
Net cash from (absorbed by) operations		86,967	(30,480)	213,977	73,549	(35,997)	182,453
Income taxes paid		(14,004)	(12,938)	(7,497)	(12,712)	(11,605)	(6,008)
Net cash from (used in) operating activities		72,963	(43,418)	206,480	60,837	(47,602)	176,445
(forward)							

BANK OF THE PHILIPPINE ISLANDS

STATEMENTS OF CASH FLOWS

For each of the three years in the period ended December 31, 2023

(In Millions of Pesos)

	Notes	Consolidated			Parent		
		2023	2022	2021	2023	2022	2021
<i>(forwarded)</i>							
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of bank premises, furniture, fixtures and equipment		(4,778)	(1,657)	(5,595)	(4,578)	(1,580)	(5,108)
Disposal of bank premises, furniture, fixtures and equipment		2,144	1,200	789	2,127	1,191	777
Placements in investment securities		(248,565)	(95,218)	(278,718)	(247,299)	(94,789)	(272,363)
Proceeds from:							
Maturities/sales of investment securities		171,331	49,008	176,833	171,332	49,008	158,047
Net gains on sale of investment properties		-	4,721	(12)	-	4,721	(14)
Decrease (increase) in:							
Investment in subsidiaries and associates, net		769	694	1,432	(120)	-	(4,516)
Assets attributable to insurance operations		(270)	474	804	-	-	-
Impact of merger	30.1	-	-	-	-	78,200	-
Dividends received		100	60	30	3,066	880	3,400
Net cash (used in) from investing activities		(79,269)	(40,718)	(104,437)	(75,472)	37,631	(119,777)
CASH FLOWS FROM FINANCING ACTIVITIES							
Cash dividends paid	17,18	(16,125)	(9,745)	(8,124)	(15,934)	(9,568)	(8,124)
Issuance cost of treasury shares as dividends	18	(372)	-	-	(403)	-	-
Proceeds from share issuance	18	456	208	256	456	208	256
Increase (decrease) in bills payable and other borrowed funds	16	39,601	2,464	(56,908)	40,724	868	(57,798)
Payments for principal portion of lease liabilities		(1,892)	(1,624)	(1,900)	(1,652)	(1,417)	(1,478)
Net cash from (used in) financing activities		21,668	(8,697)	(66,676)	23,191	(9,909)	(67,144)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		15,362	(92,833)	35,367	8,556	(19,880)	(10,476)
CASH AND CASH EQUIVALENTS							
January 1	4,5	273,120	365,953	330,586	265,449	285,329	295,805
December 31		288,482	273,120	365,953	274,005	265,449	285,329
Non-cash financing and investing activities	11,16,18						

(The notes on pages 1 to 116 are an integral part of these financial statements.)

BANK OF THE PHILIPPINE ISLANDS

Notes to Financial Statements

As at December 31, 2023 and 2022 and for each of the three years
in the period ended December 31, 2023

1 General information

Bank of the Philippine Islands (“BPI” or the “Parent Bank”) is a domestic commercial bank with an expanded banking license and was registered with the Securities and Exchange Commission (SEC) on January 4, 1943. The Parent Bank’s license was extended for another 50 years on January 4, 1993.

The Parent Bank’s office address, which also serves as its principal place of business, is located at Ayala Triangle Gardens Tower 2, Paseo De Roxas corner Makati Ave., Bel-Air, Makati City.

BPI and its subsidiaries (collectively referred to as the “BPI Group”) offer a whole breadth of financial services that include corporate banking, consumer banking, investment banking, asset management, corporate finance, securities distribution and insurance services. At December 31, 2023, the BPI Group has 18,982 employees (2022 - 17,573 employees) and operates 1,187 branches (2022 - 1,189 branches) and 1,530 automated teller machines (ATMs) and cash accept machines (CAMs) (2022 - 2,080) to support its delivery of services. The BPI Group also serves its customers through alternative electronic banking channels such as telephone, mobile phone and the internet.

The Parent Bank is considered a public company under Rule 3.1 of Implementing Rules and Regulations of the Securities Regulation Code (SRC), which, among others, defines a public company as any corporation with a class of equity securities listed on an exchange, or with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities.

On September 30, 2022, the Board of Directors (BOD) of BPI approved the execution of an agreement between the Parent Bank and Robinsons Bank Corporation (“RBC”) and Robinsons Retail Holdings, Inc. and JG Summit Capital Services Corporation, as RBC shareholders, for the merger of BPI and RBC, with BPI as the surviving entity. As at December 31, 2023, all corporate and regulatory approvals have been obtained, and the Parent Bank and RBC merged, effective January 1, 2024 (Note 30.3).

The merger between BPI and BPI Family Savings Bank, Inc. (“BFB”), a wholly-owned subsidiary, became effective on January 1, 2022 with the Parent Bank as the surviving entity (Note 30.1). The comparative figures presented in the financial statements and notes to financial statements pertaining to the Parent Bank for the year ended December 31, 2021 are exclusive of BFB balances.

Approval and authorization for issuance of financial statements

These financial statements have been approved and authorized for issuance by the BOD on February 21, 2024.

The consolidated financial statements comprise the financial statements of the Parent Bank and the following subsidiaries:

Subsidiaries	Country of incorporation	Principal activities	% of ownership	
			2023	2022
BPI Capital Corporation	Philippines	Investment house	100	100
BPI Direct Banko, Inc., A Savings Bank (BanKo)	Philippines	Banking	100	100
BPI Asset Management and Trust Corporation operating under the trade name, BPI Wealth	Philippines	Asset management	100	100
BPI International Finance Limited	Hong Kong	Financing	100	100
BPI Europe Plc.	England and Wales	Banking (deposit)	100	100
BPI Securities Corp.	Philippines	Securities dealer	100	100
BPI Payments Holdings Inc. (BPHI)	Philippines	Financing	100	100
Filinvest Algo Financial Corp.	Philippines	Financing	100	100
BPI Investment Management, Inc.	Philippines	Investment management	100	100
Santiago Land Development Corporation	Philippines	Land holding	100	100
BPI Computer Systems Corp.	Philippines	Business systems service	100	100
BPI Forex Corp.	Philippines	Foreign exchange	100	100
BPI Remittance Centre (HK) Ltd.	Hong Kong	Remittance	100	100
BPI Wealth Singapore Pte Ltd	Singapore	Asset management	100	-
First Far East Development Corporation	Philippines	Real estate	100	100
FEB Stock Brokers, Inc.	Philippines	Securities dealer	100	100
FEB Speed International	Philippines	Remittance	100	100
Ayala Plans, Inc.	Philippines	Pre-need	98.93	98.93
FGU Insurance Corporation	Philippines	Non-life insurance	94.62	94.62
BPI/MS Insurance Corporation	Philippines	Non-life insurance	50.85	50.85

2 Assets and liabilities attributable to insurance operations

Details of assets and liabilities attributable to insurance operations at December 31 are as follows:

	Note	2023	2022
		(In Millions of Pesos)	
Assets			
Cash and cash equivalents	4	193	292
Insurance balances receivable, net		6,111	6,449
Investment securities			
Financial assets at fair value through profit or loss		1,814	1,771
Financial assets at fair value through other comprehensive income		6,905	6,618
Financial assets at amortized cost		353	267
Investment in associates		167	167
Accounts receivable and other assets, net		3,378	3,294
Land, building and equipment		146	202
		19,067	19,060
		2023	2022
		(In Millions of Pesos)	
Liabilities			
Reserves and other balances		13,240	13,094
Accounts payable, accrued expenses and other payables		1,962	1,825
		15,202	14,919

Details of income attributable to insurance operations before income tax and minority interest for the years ended December 31 are as follows:

	2023	2022	2021
	(In Millions of Pesos)		
Premiums earned and related income	3,312	3,016	3,071
Investment and other income	1,675	1,070	1,504
	4,987	4,086	4,575
Benefits, claims and maturities	1,573	1,280	1,502
Decrease in actuarial reserve liabilities	(288)	(336)	(486)
Commissions	954	924	856
Management and general expenses	876	811	817
Other expenses	29	28	32
	3,144	2,707	2,721
Income before income tax and minority interest	1,843	1,379	1,854

3 Business segments

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (CEO), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the BPI Group individually meet the definition of a reportable segment under Philippine Financial Reporting Standards (PFRS) 8, *Operating Segments*.

The BPI Group has determined the operating segments based on the nature of the services provided and the different clients/markets served representing a strategic business unit.

The BPI Group's main operating business segments follow:

- Consumer banking - this segment serves the individual and retail markets. Services cover deposit taking and servicing, consumer lending such as home mortgages, auto loans and credit card finance as well as the remittance business. The segment also includes the entire transaction processing and service delivery infrastructure consisting of network of branches and ATMs as well as phone and internet-based banking platforms for individual customers.
- Corporate banking - this segment caters both high-end corporations and middle market clients. Services offered include deposit taking and servicing, loan facilities, trade, cash management and internet-based banking platforms for corporate and institutional customers.
- Investment banking - this segment includes the various business groups operating in the investment markets and dealing in activities other than lending and deposit taking. These services cover corporate finance, securities distribution, asset management, trust and fiduciary services as well as proprietary trading and investment activities.

The performance of the Parent Bank is assessed as a single unit using financial information presented in the separate or Parent only financial statements. Likewise, the CEO assesses the performance of the insurance business as a standalone business segment separate from the banking and allied financial undertakings. Information on the assets, liabilities and results of operations of the insurance business is fully disclosed in Note 2.

The BPI Group and the Parent Bank mainly derive revenue within the Philippines; accordingly, no geographical segment is presented.

The segment report forms part of management's assessment of the performance of the segment, among other performance indicators.

There were no changes in the reportable segments during the year. Transactions between the business segments are carried out at arm's length. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. Inter-segment revenues, however, are deemed insignificant for financial reporting purposes, thus, not reported in segment analysis below.

The BPI Group's management reporting is based on a measure of operating profit comprising net interest income, impairment charge, fees and commission income, other income and operating expenses.

Segment assets and liabilities comprise majority of operating assets and liabilities, measured in a manner consistent with that shown in the statement of condition, but exclude items such as taxation.

The segment assets and liabilities as at December 31 and the results of the operations of the reportable segments of the BPI Group's for the years ended December 31 follow:

2023				
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	65,271	28,108	15,117	108,496
Provision for (reversal of) credit and impairment losses	7,711	(3,837)	140	4,014
Net interest income after provision for credit and impairment losses	57,560	31,945	14,977	104,482
Fees, commissions and other income, net	20,328	2,932	8,749	32,009
Total income	77,888	34,877	23,726	136,491
Compensation and fringe benefits	19,375	3,314	1,786	24,475
Occupancy and equipment-related expenses	10,144	1,089	865	12,098
Other operating expenses	26,485	4,082	3,221	33,788
Total other expenses	56,004	8,485	5,872	70,361
Operating profit	21,884	26,392	17,854	66,130
Income tax expense				13,299
Net income				51,912
Share in net income of associates				1,372
Total assets	644,092	1,505,254	717,734	2,867,080
Total liabilities	1,670,879	687,265	163,858	2,522,002

2022				
	Consumer banking	Corporate banking	Investment banking	Total per management reporting
	(In Millions of Pesos)			
Net interest income	49,614	26,746	12,281	88,641
Provision for credit and impairment losses	2,808	6,326	25	9,159
Net interest income after provision for credit and impairment losses	46,806	20,420	12,256	79,482
Fees, commissions and other income, net	17,017	2,847	7,064	26,928
Total income	63,823	23,267	19,320	106,410
Compensation and fringe benefits	14,698	2,459	1,162	18,319
Occupancy and equipment-related expenses	5,471	115	646	6,232
Other operating expenses	25,215	3,211	1,484	29,910
Total other expenses	45,384	5,785	3,292	54,461
Operating profit	18,439	17,482	16,028	51,949
Income tax expense				11,532
Net income				39,836
Share in net income of associates				1,056
Total assets	579,926	1,390,803	658,828	2,629,557
Total liabilities	1,534,471	618,008	142,236	2,294,715

	2021			Total per management reporting
	Consumer banking	Corporate banking	Investment banking	
	(In Millions of Pesos)			
Net interest income	36,478	27,934	8,988	73,400
Provision for (reversal of) credit and impairment losses	3,157	10,118	(172)	13,103
Net interest income after provision for credit and impairment losses	33,321	17,816	9,160	60,297
Fees, commissions and other income, net	15,846	2,703	7,333	25,882
Total income	49,167	20,519	16,493	86,179
Compensation and fringe benefits	13,911	2,280	1,053	17,244
Occupancy and equipment-related expenses	5,988	112	472	6,572
Other operating expenses	20,075	3,295	1,566	24,936
Total other expenses	39,974	5,687	3,091	48,752
Operating profit	9,193	14,832	13,402	37,427
Income tax expense				9,427
Net income				24,110
Share in net income of associates				1,086
Total assets	495,878	1,205,841	679,536	2,381,255
Total liabilities	1,334,077	667,821	101,686	2,103,584

Reconciliation of segment results to consolidated results of operations:

	2023		Total per consolidated financial statements
	Total per management reporting	Consolidation adjustments/ Others	
	(In Millions of Pesos)		
Net interest income	108,496	(4,146)	104,350
Provision for credit and impairment losses	4,014	(14)	4,000
Net interest income after provision for credit and impairment losses	104,482	(4,132)	100,350
Fees, commissions and other income, net	32,009	1,962	33,971
Total income	136,491	(2,170)	134,321
Compensation and fringe benefits	24,475	(1,254)	23,221
Occupancy and equipment-related expenses	12,098	9,914	22,012
Other operating expenses	33,788	(9,911)	23,877
Total other expenses	70,361	(1,251)	69,110
Operating profit	66,130	(919)	65,211
Income tax expense	13,299		13,299
Net income	51,912		51,912
Share in net income of associates	1,372		1,372
Total assets	2,867,080	21,292	2,888,372
Total liabilities	2,522,002	7,000	2,529,002

	2022		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	88,641	(3,575)	85,066
Provision for credit and impairment losses	9,159	8	9,167
Net interest income after provision for credit and impairment losses	79,482	(3,583)	75,899
Fees, commissions and other income, net	26,928	6,531	33,459
Total income	106,410	2,948	109,358
Compensation and fringe benefits	18,319	1,209	19,528
Occupancy and equipment-related expenses	6,232	12,529	18,761
Other operating expenses	29,910	(10,209)	19,701
Total other expenses	54,461	3,529	57,990
Operating profit	51,949	(581)	51,368
Income tax expense	11,532		11,532
Net income	39,836		39,836
Share in net income of associates	1,056		1,056
Total assets	2,629,557	(25,596)	2,603,961
Total liabilities	2,294,715	(10,558)	2,284,157

	2021		
	Total per management reporting	Consolidation adjustments/ Others	Total per consolidated financial statements
	(In Millions of Pesos)		
Net interest income	73,400	(3,817)	69,583
Provision for credit and impairment losses	13,103	32	13,135
Net interest income after provision for credit and impairment losses	60,297	(3,849)	56,448
Fees, commissions and other income, net	25,882	1,940	27,822
Total income	86,179	(1,909)	84,270
Compensation and fringe benefits	17,244	1,284	18,528
Occupancy and equipment-related expenses	6,572	9,438	16,010
Other operating expenses	24,936	(8,741)	16,195
Total other expenses	48,752	1,981	50,733
Operating profit	37,427	(3,890)	33,537
Income tax expense	9,427		9,427
Net income	24,110		24,110
Share in net income of associates	1,086		1,086
Total assets	2,381,255	40,660	2,421,915
Total liabilities	2,103,584	23,175	2,126,759

“Consolidation adjustments/Others” pertain to amounts of insurance operations and support units and inter-segment elimination in accordance with the BPI Group’s internal reporting.

4 Cash and cash equivalents

The account at December 31 consists of:

		Consolidated		Parent	
	Notes	2023	2022	2023	2022
		(In Millions of Pesos)			
Cash and other cash items		34,843	39,613	34,444	39,359
Due from BSP		199,619	182,869	192,246	178,534
Due from other banks		36,292	45,190	33,081	43,096
Interbank loans receivable and securities purchased under agreements to resell (SPAR)	5	17,535	5,156	14,234	4,460
Cash and cash equivalents attributable to insurance operations	2	193	292	-	-
		288,482	273,120	274,005	265,449

5 Interbank loans receivable and SPAR, net

The account at December 31 consists of transactions with:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
BSP	15,177	136	11,982	-
Other banks	5,483	12,259	5,379	11,645
	20,660	12,395	17,361	11,645
Accrued interest receivable	26	27	24	26
	20,686	12,422	17,385	11,671
Allowance for impairment	(43)	(40)	(43)	(40)
	20,643	12,382	17,342	11,631

As at December 31, 2023, interbank loans receivable and SPAR maturing within 90 days from the date of acquisition amounting to P17,535 million (2022 - P5,156 million) for the BPI Group and P14,234 million (2022 - P4,460 million) for the Parent Bank are classified as cash equivalents in the statements of cash flows (Note 4).

Government bonds are pledged by the BSP as collateral under reverse repurchase agreements. The aggregate face value of securities pledged approximates the total balance of outstanding placements as at reporting date.

The range of average interest rates (%) of interbank loans receivable and SPAR for the years ended December 31 are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
Peso-denominated	4.75 - 8.50	4.50 - 8.28	4.75 - 8.50	4.50 - 8.28
US dollar-denominated	4.85 - 5.25	3.13 - 4.29	4.85 - 5.15	4.05 - 4.18

6 Financial assets at fair value through profit or loss (FVTPL)

The account at December 31 consists of:

		Consolidated		Parent	
	Note	2023	2022	2023	2022
		(In Millions of Pesos)			
Debt securities					
Government securities		15,928	10,974	13,654	9,876
Commercial papers of private companies		3,813	3,820	6	30
Listed equity securities		111	192	-	-
Derivative financial assets	7	3,802	7,147	3,796	7,035
		23,654	22,133	17,456	16,941

All financial assets at FVTPL held by the BPI Group and the Parent Bank are classified as current.

7 Derivative financial instruments

Derivatives held by the BPI Group consist mainly of the following:

- Foreign exchange forwards represent commitments to purchase or sell one currency against another at an agreed forward rate on a specified date in the future. Settlement can be made via full delivery of forward proceeds or via payment of the difference (non-deliverable forward) between the contracted forward rate and the prevailing market rate at maturity.
- Foreign exchange swaps refer to spot purchase or sale of one currency against another with an offsetting agreement to sell or purchase the same currency at an agreed forward rate in the future.
- Interest rate swaps refer to agreement to exchange fixed rate versus floating interest payments (or vice versa) on a reference notional amount over an agreed period.
- Cross currency swaps refer to an exchange of notional amounts on two currencies at a given exchange rate where the parties on the transaction agree to pay a stated interest rate on the received notional amount and accept a stated interest rate on the delivered notional amount, payable and receivable or net settled (non-deliverable swaps) periodically over the term of the transaction.

The BPI Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the BPI Group assesses counterparties using the same techniques as for its lending activities.

The fair values of derivative financial instruments as at December 31 are set out below:

Consolidated

	Assets		Liabilities	
	2023	2022	2023	2022
(In Millions of Pesos)				
Held for trading				
Foreign exchange derivatives				
Currency swaps	174	411	53	52
Currency forwards	1,309	3,557	1,262	2,184
Options	-	3	-	-
Interest rate swaps	2,317	3,164	1,506	2,061
Warrants	2	2	-	-
Equity options	-	10	-	-
	3,802	7,147	2,821	4,297

Parent

	Assets		Liabilities	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Held for trading				
Foreign exchange derivatives				
Currency swaps	173	411	53	52
Currency forwards	1,304	3,455	1,215	2,140
Options	-	3	-	-
Interest rate swaps	2,317	3,164	1,506	2,061
Warrants	2	2	-	-
	3,796	7,035	2,774	4,253

In 2022, the Parent Bank began trading foreign exchange options as part of the BPI Group's strategy subsequent to the granting of Type 1 derivative license by the BSP in 2021. During the years ended December 31, 2023 and 2022, the BPI Group did not enter into any transactions under hedge accounting.

As at December 31, 2023, the Parent Bank has no derivative financial assets referenced to London Interbank Offered Rate (LIBOR) (2022 - P104,915 million). The Parent Bank has fully transitioned to LIBOR-fallback in accordance with the fallback protocol that the Parent Bank adhered to with International Swaps and Derivatives Association (ISDA).

Critical accounting estimate - Determination of fair value of derivatives and other financial instruments

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

All models are approved by the BOD before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions about these factors could affect reported fair value of financial instruments. The BPI Group considers that it is impracticable, however, to disclose with sufficient reliability the possible effects of sensitivities surrounding the fair value of financial instruments that are not quoted in active markets.

8 Financial assets at fair value through other comprehensive income (FVOCI)

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Debt securities				
Government securities	191,506	85,143	188,459	83,588
Commercial papers of private companies	21,732	6,701	21,452	6,294
	213,238	91,844	209,911	89,882
Accrued interest receivable	2,542	603	2,531	595
	215,780	92,447	212,442	90,477
Equity securities				
Listed	1,266	1,709	1,043	1,331
Unlisted	1,608	1,111	698	345
	2,874	2,820	1,741	1,676
	218,654	95,267	214,183	92,153

The BPI Group has designated a small portfolio of equity securities from listed and unlisted private corporations as financial assets at FVOCI. The BPI Group adopted this presentation as the investments were made for strategic purposes rather than with a view to profit on a subsequent sale, and there are no plans to dispose of these investments in the short or medium term.

Debt securities classified as financial assets at FVOCI are classified as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Current (within 12 months)	40,551	7,959	38,990	6,788
Non-current (over 12 months)	175,229	84,488	173,452	83,689
	215,780	92,447	212,442	90,477

The range of average effective interest rates (%) of financial assets at FVOCI for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	2023	2022
Peso-denominated	2.20 - 8.57	2.20 - 8.57	2.20 - 8.57	2.20 - 8.57
Foreign currency-denominated	0.24 - 7.00	0.15 - 6.10	0.24 - 7.00	0.15 - 6.10

Interest income from debt instruments recognized in the statement of income for the year ended December 31, 2023 amounts to P6,176 million (2022 - P1,987 million; 2021 - P2,473 million) and P6,060 million (2022 - P1,945 million; 2021 - P2,306 million) for the BPI Group and Parent Bank, respectively.

Dividend income from equity instruments recognized in the statement of income under other operating income for the year ended December 31, 2023 amounts to P100 million (2022 - P60 million; 2021 - P30 million) and P66 million (2022 - P36 million; 2021 - P16 million) for the BPI Group and Parent Bank, respectively (Note 19).

9 Investment securities at amortized cost, net

Details of the account at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Government securities	320,808	338,323	320,161	337,661
Commercial papers of private companies	58,326	78,345	53,448	73,568
	379,134	416,668	373,609	411,229
Accrued interest receivable	3,608	3,876	3,542	3,817
	382,742	420,544	377,151	415,046
Allowance for impairment	(31)	(11)	(31)	(11)
	382,711	420,533	377,120	415,035

The range of average effective interest rates (%) for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	2023	2022
Peso-denominated	2.09 - 8.13	2.00 - 8.13	2.09 - 8.13	2.00 - 8.13
Foreign currency-denominated	0.13 - 7.32	0.13 - 7.13	0.80 - 6.07	0.13 - 7.13

In 2023, the BPI Group and the Parent Bank sold close-to-maturity debt securities which resulted in a net gain of P2 million. In 2022, the BPI Group and the Parent Bank recognized a net gain on disposal of P214 million resulting from sale of an insignificant amount of debt securities. In 2021, the BPI Group and the Parent Bank recognized a net gain on derecognition of P1,513 million and P1,166 million, respectively, due mainly to its disposal of a portfolio of debt securities in response to an impending change in tax regulations and as part of disposal of the entire portfolio of investments securities at amortized cost of a significant subsidiary. Consistent with the allowed sales of investments under the hold-to-collect business model following the requirements of PFRS 9, Financial Instruments, and BSP Circular 708, the circumstances resulting in the disposals are deemed isolated and non-recurring events that are beyond the BPI Group's control and could not have been reasonably anticipated at the time that the business model has been established.

As at December 31, 2023, government securities aggregating P3.43 billion (2022 - P19.11 billion) are used as security for bills payable of the Parent Bank (Note 16).

Interest income from these investment securities recognized in the statement of income for the year ended December 31, 2023 amounts to P14,678 million (2022 - P14,514 million; 2021 - P7,657 million) and P14,549 million (2022 - P14,388 million; 2021 - P7,347 million) for the BPI Group and the Parent Bank, respectively.

Investment securities at amortized cost are expected to be realized as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Current (within 12 months)	64,063	41,813	63,742	41,918
Non-current (over 12 months)	318,648	378,720	313,378	373,117
	382,711	420,533	377,120	415,035

As at December 31, 2023, the Parent Bank has P6,459 million (2022 - P6,401 million) outstanding securities overlying securitization structures measured at amortized cost. The securities are held for collection of contractual cash flows until maturity and those cash flows represent solely payments of principal and interest.

Critical accounting judgment - Classification of investment securities at amortized cost

The BPI Group classifies its financial assets at initial recognition as to whether it will be subsequently measured at FVOCI, at amortized cost, or at FVTPL. The BPI Group determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The BPI Group determines whether the contractual cash flows associated with the financial asset are solely payments of principal and interest (the "SPPI"). If the instrument fails the SPPI test, it will be measured at FVTPL.

10 Loans and advances, net

Details of this account at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Corporate loans				
Large corporate customers	1,446,426	1,348,210	1,442,251	1,342,447
Small and medium enterprise	79,097	76,046	79,093	76,039
Retail loans				
Credit cards	137,889	99,680	137,889	99,680
Real estate mortgages	171,495	158,137	170,321	156,862
Auto loans	71,896	58,009	71,895	58,009
Others	28,536	16,675	229	225
	1,935,339	1,756,757	1,901,678	1,733,262
Accrued interest receivable	12,943	11,189	12,006	10,632
Unearned discount/income	(8,801)	(7,189)	(8,795)	(7,179)
	1,939,481	1,760,757	1,904,889	1,736,715
Allowance for impairment	(57,474)	(57,767)	(55,049)	(56,031)
	1,882,007	1,702,990	1,849,840	1,680,684

As at December 31, 2023 and 2022, the BPI Group has no outstanding loans and advances used as security for bills payable (Note 16).

As at December 31, 2023, the Parent Bank has no LIBOR referenced loans (2022 - P63,263 million). In 2023, the Parent Bank has fully transitioned these LIBOR referenced loans to the alternative reference rate adopted by the Parent Bank.

Loans and advances include amounts due from related parties (Note 25).

Loans and advances are expected to be realized as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Current (within 12 months)	776,788	678,738	766,284	669,478
Non-current (over 12 months)	1,162,693	1,082,019	1,138,605	1,067,237
	1,939,481	1,760,757	1,904,889	1,736,715

The range of average interest rates (%) of loans and advances for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	2023	2022
Commercial loans				
Peso-denominated loans	5.44 - 6.13	4.15 - 5.24	5.44 - 6.13	4.16 - 5.24
Foreign currency-denominated loans	5.80 - 6.63	2.73 - 5.85	5.80 - 6.63	2.73 - 5.85
Real estate mortgages	6.63 - 7.32	6.11 - 7.03	6.72 - 7.31	6.09 - 7.02
Auto loans	9.76 - 10.32	9.54 - 10.01	9.76 - 10.32	9.54 - 10.01

Interest income from loans and advances for the year ended December 31, 2023 for the BPI Group and the Parent Bank amounts to P120,900 million (2022 - P84,909 million; 2021 - P72,225 million) and P114,050 million (2022 - P80,724 million; 2021 - P53,426 million), respectively.

Details of the loans and advances portfolio at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Secured loans				
Real estate mortgage	304,090	281,974	302,870	280,633
Project assets	138,915	143,541	138,915	143,541
Chattel mortgage	75,028	60,287	75,028	60,287
Others	25,912	39,698	25,757	38,944
	543,945	525,500	542,570	523,405
Unsecured loans	1,382,593	1,224,068	1,350,313	1,202,678
	1,926,538	1,749,568	1,892,883	1,726,083

Others represent loans secured mainly by hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

11 Bank premises, furniture, fixtures and equipment, net

The details of and movements in the account are summarized below:

Consolidated

	2023			
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
	(In Millions of Pesos)			
Cost				
January 1, 2023	3,015	31,087	16,400	50,502
Additions	-	3,523	2,954	6,477
Disposals	(30)	(330)	(2,946)	(3,306)
Transfers	-	(30)	(19)	(49)
Other changes	(2)	43	-	41
December 31, 2023	2,983	34,293	16,389	53,665
Accumulated depreciation				
January 1, 2023	-	16,622	14,525	31,147
Depreciation and amortization	-	2,922	989	3,911
Disposals	-	(244)	(980)	(1,224)
Transfers	-	4	(8)	(4)
Other changes	-	84	-	84
December 31, 2023	-	19,388	14,526	33,914
Net book value, December 31, 2023	2,983	14,905	1,863	19,751

2022				
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
(In Millions of Pesos)				
Cost				
January 1, 2022	3,048	26,192	16,941	46,181
Additions	5	5,196	951	6,152
Disposals	(38)	(552)	(1,492)	(2,082)
Transfers	-	(6)	(2)	(8)
Other changes	-	257	2	259
December 31, 2022	3,015	31,087	16,400	50,502
Accumulated depreciation				
January 1, 2022	-	13,827	14,829	28,656
Depreciation and amortization	-	3,054	938	3,992
Disposals	-	(391)	(1,243)	(1,634)
Transfers	-	(4)	(1)	(5)
Other changes	-	136	2	138
December 31, 2022	-	16,622	14,525	31,147
Net book value, December 31, 2022	3,015	14,465	1,875	19,355

Parent

2023				
	Land	Buildings and leasehold improvements	Furniture and equipment	Total
(In Millions of Pesos)				
Cost				
January 1, 2023	3,015	28,880	15,693	47,588
Additions	-	3,167	2,870	6,037
Disposals	(30)	(294)	(2,936)	(3,260)
Transfers	-	(30)	-	(30)
Other changes	(3)	(749)	-	(752)
December 31, 2023	2,982	30,974	15,627	49,583
Accumulated depreciation				
January 1, 2023	-	14,934	13,933	28,867
Depreciation and amortization	-	2,567	928	3,495
Disposals	-	(209)	(974)	(1,183)
Transfers	-	3	-	3
Other changes	-	-	-	-
December 31, 2023	-	17,295	13,887	31,182
Net book value, December 31, 2023	2,982	13,679	1,740	18,401

2022					
	Note	Land	Buildings and leasehold improvements	Furniture and equipment	Total
(In Millions of Pesos)					
Cost					
December 31, 2021		2,703	22,461	14,914	40,078
Impact of merger	30.1	346	1,964	1,354	3,664
January 1, 2022		3,049	24,425	16,268	43,742
Additions		4	4,892	903	5,799
Disposals		(38)	(429)	(1,478)	(1,945)
Transfers		-	(6)	-	(6)
Other changes		-	(2)	-	(2)
December 31, 2022		3,015	28,880	15,693	47,588
Accumulated depreciation					
December 31, 2021		-	11,708	13,127	24,835
Impact of merger	30.1	-	760	1,190	1,950
January 1, 2022		-	12,468	14,317	26,785
Depreciation and amortization		-	2,743	850	3,593
Disposals		-	(272)	(1,234)	(1,506)
Transfers		-	(4)	-	(4)
Other changes		-	(1)	-	(1)
December 31, 2022		-	14,934	13,933	28,867
Net book value, December 31, 2022		3,015	13,946	1,760	18,721

As at December 31, 2023, the BPI Group has recognized construction-in-progress amounting to P1.45 billion (2022 - P914 million) in relation to the redevelopment of its main office.

In 2022, the Parent Bank entered into a contract of lease with Ayala Land, Inc., a related party, for the lease of an office unit at Ayala Triangle Gardens Tower 2. In 2023, the Parent Bank assigned a portion of its office unit to BPI Securities Corporation, BPI Capital Corporation and BPI Wealth, effective July 1, 2023.

Other changes pertain to additions and remeasurement of right-of-use assets due to lease modification, renewal of lease agreements, extension of lease terms and deferral of escalation clause on existing lease contracts.

Depreciation and amortization charges are included in "Occupancy and equipment-related expenses" category in the statements of income.

In 2023, the Parent Bank realized a gain of P420 million (2022 - P5,295 million) (Note 19) from the disposal of certain bank premises, furniture, fixtures and equipment.

In 2022, the Parent Bank sold two properties located at Pasong Tamo, Makati City with a net book value of P126 million for a purchase price of P5.49 billion resulting in a gain on sale of P4.99 billion, net of gross receipts tax, which forms part of the realized gain recorded within Other operating income (Note 19). Out of the total gain of P4.99 billion, P4.31 billion pertains to the portion of the property classified as investment property under Other assets (Note 14).

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

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

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

12 Investments in subsidiaries and associates, net

This account at December 31 consists of investments in shares of stock as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Carrying value (net of impairment)				
Investments at equity method	8,287	7,227	-	-
Investments at cost method	-	-	15,526	15,406
	8,287	7,227	15,526	15,406

Investments in associates accounted for using the equity method in the consolidated statement of condition are as follows:

Name of entity	Place of business/ country of incorporation	Percentage of ownership interest		Acquisition cost	
		2023	2022	2023	2022
		(in %)		(In Millions of Pesos)	
Global Payments Asia-Pacific Philippines, Incorporated	Philippines	49.00	49.00	1,342	1,342
AF Payments, Inc. (AFPI)	Philippines	20.00	20.00	1,060	940
BPI AIA Life Assurance Corporation (formerly BPI-Philamlife Assurance Corporation)	Philippines	47.96	47.96	389	389
BPI Century Tokyo Lease and Finance Corporation	Philippines	49.00	49.00	316	316
Beacon Property Ventures, Inc.	Philippines	20.00	20.00	72	72
CityTrust Realty Corporation	Philippines	40.00	40.00	2	2
				3,181	3,061

The movements in investments in associates accounted for using the equity method in the consolidated financial statements are summarized as follows:

	2023	2022
	(In Millions of Pesos)	
Acquisition cost		
At January 1	3,061	3,061
Additions during the year	120	-
At December 31	3,181	3,061
Accumulated equity in net income		
At January 1	4,437	4,076
Share in net income for the year	1,372	1,055
Dividends received	(889)	(694)
At December 31	4,920	4,437
Accumulated share in other comprehensive income (loss)		
At January 1	(131)	168
Share in other comprehensive income (loss) for the year	457	(299)
At December 31	326	(131)
Allowance for impairment	(140)	(140)
	8,287	7,227

No associate is deemed individually significant for financial reporting purposes. Accordingly, the relevant unaudited financial information of associates as at and for the years ended December 31 are aggregated as follows:

	2023	2022
	(In Millions of Pesos)	
Total assets	129,429	127,610
Total liabilities	111,601	112,119
Total revenues	24,198	13,771
Total net income	2,924	1,925

The details of equity investments accounted for using the cost method in the separate financial statements of the Parent Bank follow:

	Acquisition cost		Allowance for impairment		Carrying value	
	2023	2022	2023	2022	2023	2022
	(In Millions of Pesos)					
Subsidiaries						
BPI Europe Plc.	7,180	7,180	-	-	7,180	7,180
BPI Direct Banko, Inc., A Savings Bank	2,009	2,009	-	-	2,009	2,009
BPI Wealth	1,502	1,502	-	-	1,502	1,502
Ayala Plans, Inc.	864	864	-	-	864	864
BPI Payments Holdings Inc.	813	693	(672)	(672)	141	21
BPI Capital Corporation	623	623	-	-	623	623
FGU Insurance Corporation	303	303	-	-	303	303
BPI Forex Corp.	195	195	-	-	195	195
BPI International Finance Limited	143	143	-	-	143	143
Santiago Land Development Corporation	140	140	-	-	140	140
BPI Remittance Centre (HK) Ltd.	132	132	-	-	132	132
First Far East Development Corporation	91	91	-	-	91	91
FEB Stock Brokers, Inc.	25	25	-	-	25	25
BPI Computer Systems Corp.	23	23	-	-	23	23
Others	35	35	-	-	35	35
Associates	2,120	2,120	-	-	2,120	2,120
	16,198	16,078	(672)	(672)	15,526	15,406

In 2023, the Parent Bank made additional capital infusions to BPHI amounting to P120 million.

In June 2023, BPI Wealth Singapore Pte. Ltd. was incorporated with the Accounting and Corporate Regulatory Authority of Singapore with BPI Parent as the sole owner of its share amounting to 1 SGD. As at December 31, 2023, the entity is non-operational and awaiting approval of its Capital Market Services license by the Monetary Authority of Singapore.

In 2021, the Parent Bank recognized an impairment loss of P60 million on its investment in BPHI due to financial losses incurred by BPHI's associate, AFPI. In computing for its recoverable amount, the Parent Bank used a discount rate of 13.08% in assessing its value in use, which amounts to P21 million. There are no changes in the allowance for impairment for the year ended December 31, 2023.

No non-controlling interest arising from investments in subsidiaries is deemed material to the BPI Group.

Critical accounting judgment and estimate - Impairment of investments in subsidiaries and associates

The BPI Group assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the BPI Group considers important which could trigger an impairment review include the following:

- significant decline in market value;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- significant negative industry or economic trends.

The BPI Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Management has not identified any indicators of impairment as at December 31, 2023 and 2022 in its subsidiaries apart from BPHI.

For the 2023 and 2022 reporting periods, the recoverable amount of the subsidiary was determined based on the higher between fair value less cost to sell and value-in-use (VIU) calculations which require the use of assumptions. The VIU calculations use cash flow projections based on financial budgets approved by management.

The BPI Group considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the recoverable amount of the subsidiary.

13 Deferred income taxes

Details of deferred income tax assets and liabilities at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
(In Millions of Pesos)				
Deferred income tax assets				
Allowance for credit and impairment losses	15,277	15,380	14,607	14,889
Pension liability	2,499	1,736	2,419	1,736
Provisions	644	480	595	434
Others	(62)	(63)	24	19
Total deferred income tax assets	18,358	17,533	17,645	17,078
Deferred income tax liabilities				
Unrealized gain on property appraisal	(39)	(394)	(39)	(394)
Others	(134)	(387)	(70)	(328)
Total deferred income tax liabilities	(173)	(781)	(109)	(722)
Deferred income tax assets, net	18,185	16,752	17,536	16,356

Movements in net deferred income tax assets are summarized as follows:

		Consolidated		Parent	
	Note	2023	2022	2023	2022
		(In Millions of Pesos)			
Beginning of the year		16,752	15,819	16,356	11,953
Impact of merger	30.1	-	-	-	3,449
Amounts recognized in statement of income		635	906	419	943
Amounts recognized in other comprehensive income		798	27	761	11
End of the year		18,185	16,752	17,536	16,356

Details of deferred income tax items recognized in the statement of income are as follows:

	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
	(In Millions of Pesos)					
Allowance for impairment	99	(1,164)	(1,816)	280	(1,152)	(1,541)
Pension	(629)	33	(131)	(606)	46	(121)
Net operating loss carryover (NOLCO)	-	-	(6)	-	-	-
Others	(105)	225	3,052	(93)	163	2,037
	(635)	(906)	1,099	(419)	(943)	375

Critical accounting judgment - Realization of deferred income tax assets

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

14 Other assets, net

The account at December 31 consists of the following:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Sundry debits	10,025	2,839	9,988	2,723
Accounts receivable	2,780	6,327	4,118	6,728
Prepaid expenses	1,991	1,608	1,924	1,546
Intangible assets	854	2,316	831	2,277
Rental deposits	828	825	782	782
Accrued trust and other fees	673	645	138	139
Creditable withholding tax	428	328	286	189
Investment properties	69	73	58	62
Miscellaneous assets	3,376	3,058	2,895	2,792
	21,024	18,019	21,020	17,238
Allowance for impairment	(1,108)	(1,189)	(1,019)	(1,135)
	19,916	16,830	20,001	16,103

Sundry debits are float items caused by timing differences in recording of transactions. These float items are normally cleared within one day.

Accounts receivable includes non-loan related receivables from merchants and service providers, litigation related receivables and receivables from employees.

Prepaid expenses include Philippine Deposit Insurance Corporation (PDIC) assessment dues, prepayments for rent, allowances and taxes.

Intangible assets comprise computer software costs, contractual customer relationships and management contracts.

Miscellaneous assets include postage stamps, stationery and supplies.

The allowance for impairment pertains mainly to accounts receivable. The reconciliation of the allowance for impairment at December 31 is summarized as follows:

		Consolidated		Parent	
	Note	2023	2022	2023	2022
			(In Millions of Pesos)		
Beginning of the year		1,189	1,099	1,135	908
Impact of merger	30.1	-	-	-	136
Provision for impairment losses		61	255	40	243
Transfer/reallocation		(6)	(33)	(20)	(20)
Write-off		(136)	(132)	(136)	(132)
End of the year		1,108	1,189	1,019	1,135

Other assets are expected to be realized as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
(In Millions of Pesos)				
Current (within 12 months)	20,040	15,554	20,117	14,883
Non-current (over 12 months)	984	2,465	903	2,355
	21,024	18,019	21,020	17,238

15 Deposit liabilities

The account at December 31 consists of:

	Consolidated		Parent	
	2023	2022	2023	2022
(In Millions of Pesos)				
Demand	379,076	376,337	382,443	379,169
Savings	1,158,548	1,182,071	1,148,770	1,172,009
Time	757,482	537,593	732,920	531,406
	2,295,106	2,096,001	2,264,133	2,082,584

Deposit liabilities include amounts due to related parties (Note 25).

Deposit liabilities are expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
(In Millions of Pesos)				
Current (within 12 months)	1,392,507	1,272,994	1,368,484	1,265,986
Non-current (over 12 months)	902,599	823,007	895,649	816,598
	2,295,106	2,096,001	2,264,133	2,082,584

In 2019, the Parent Bank issued the first tranche of long-term negotiable certificates of deposit (LTNCD) amounting to P3 billion out of the established P50-billion LTNCD program approved by the BSP. The LTNCDs pay interest on a quarterly basis at a rate 4% per annum and carry a tenor of 5.5 years maturing on April 25, 2025. The proceeds from the LTNCD issuance are included in "Time deposits" category.

Related interest expense on deposit liabilities is presented below:

	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
	(In Millions of Pesos)					
Demand	248	287	377	248	286	359
Savings	2,115	2,420	3,419	2,065	2,375	2,841
Time	33,664	12,114	6,372	32,621	12,050	2,387
	36,027	14,821	10,168	34,934	14,711	5,587

BSP reserve requirement

The Parent Bank and its bank subsidiaries should comply with a minimum reserve requirement on deposit and deposit substitute liabilities in local currency.

In 2023, the BSP approved the reduction in reserves which brought the requirement down to 9.5% for universal and commercial banks effective June 30, 2023 by virtue of BSP Circular No.1175. For thrift banks, the BSP approved reduction in reserves which brought the requirement from 3% down to 2% effective June 30, 2023 by virtue of BSP Circular No.1175. These rates continue to be consistent throughout 2023.

Reserves must be set aside in deposits with the BSP. As at December 31, 2023, the reserves (included in Due from BSP) amounted to P186,356 million (2022 - P212,276 million) for the BPI Group and P185,703 million (2022 - P211,789 million) for the Parent Bank. The BPI Group is in full compliance with the reserve requirement as at December 31, 2023 and 2022.

16 Bills payable and other borrowed funds

The account at December 31 consists of:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Bills payable				
Local banks	720	3,471	-	3,471
Foreign banks	22,359	17,056	19,701	12,555
Other borrowed funds	114,025	76,976	114,025	76,976
	137,104	97,503	133,726	93,002

Bills payable

Bills payable include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group in accordance with the agreed financing programs. Investment securities at amortized cost serve as collateral for the Parent Bank's bills payable (Note 9). The average payment terms of these bills payable is one year (2022 - 1.11 years).

On August 24, 2023, the Parent Bank signed a facility agreement for an unsecured syndicated term loan amounting to US Dollar (USD) 300 million. The three-year loan which was drawn down on August 24, 2023 bears a floating interest payable on a quarterly basis commencing in November 2023. The loan matures on August 24, 2026 and has a carrying amount of P16,494 million as at December 31, 2023. The Parent Bank incurred origination costs amounting to USD 2.35 million.

The range of average interest rates (%) of bills payable for the years ended December 31 follows:

	Consolidated		Parent	
	2023	2022	2023	2022
Private firms and local banks - Peso - denominated	5.75 - 7.00	3.75 - 6.40	5.75 - 7.00	3.75 - 6.40
Foreign banks - Foreign currency-denominated	2.70 - 7.23	0.13 - 5.96	5.00 - 6.33	2.95 - 4.27

Other borrowed funds

This represents funds raised via the BPI Group's debt issuance programs as follows:

(a) *Peso Bond and Commercial Paper Program*

In 2018, the Parent Bank established a Peso Bond and Commercial Paper Program in the aggregate amount of up to P50,000 million, out of which a total of P25,000 million notes were issued with a coupon of 6.797% per annum, payable quarterly which matured on March 6, 2020. On November 20, 2019, BPI's Board of Directors approved the issuance of Peso-denominated bonds and commercial papers of up to P100 billion, of which P97 billion has been drawdown in multiple tranches, under an updated Bank Bond Issuance Program with outstanding drawdown as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount	
					2023	2022
(In Millions of Pesos)						
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 31, 2022	2.81%	January 31, 2024	27,000	27,000	26,874

Bonds with a total face amount of P36,828 million which were issued in two tranches under this Program matured in 2022.

(b) *Peso-denominated Bonds under the P100 billion Bond Program*

On May 18, 2022, the BOD of the Parent Bank approved a new P100 billion Bond Program. On January 30, 2023, BPI issued the first tranche called BPI Reinforcing Inclusive Support for Micro, Small and Medium Enterprises (MSMEs) Bonds ("BPI RISE Bonds"). The net proceeds amounting to P26,763 million will be used to finance or refinance the business requirements of eligible MSMEs, consistent with BPI's Sustainable Funding Framework. On November 13, 2023, BPI issued the second tranche of this Bond Program. As at December 31, 2023, both drawdowns are outstanding with the following details:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount	
					2023	2022
(In Millions of Pesos)						
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	January 30, 2023	5.75%	July 30, 2024	20,300	20,236	-
Fixed rate bond, unconditional, unsecured and unsubordinated bonds	November 13, 2023	6.43%	May 13, 2025	36,661	36,371	-

(c) *Medium-Term Note (MTN) Program*

On June 21, 2018, the BOD of the Parent Bank approved the establishment of the MTN Program in the aggregate amount of up to USD 2,000 million. On December 13, 2023, the BOD approved the increase in size of this program to USD 3,000 million. As at December 31, 2023 and 2022, the outstanding drawdowns under the MTN program are as follows:

Description of instrument	Date of drawdown	Interest rate	Maturity	Face amount	Carrying amount	
					2023	2022
(In Millions of Pesos)						
US\$ 600 million, 5-year senior unsecured Bonds	September 4, 2018	4.25%	September 4, 2023	32,000	-	33,417
US\$ 300 million, 5-year senior unsecured Green Bonds	September 10, 2019	2.50%	September 10, 2024	15,572	16,594	16,685

(d) *Private Placement*

On August 25, 2023, the Parent Bank issued a green bond amounting to USD 250 million with the International Finance Corporation as the sole subscriber. The bond carries floating interest payable on a semiannual basis. The bond is unconditional, unsecured and unsubordinated and is expected to mature on August 25, 2026. As at December 31, 2023, the carrying amount of the bond amounts to P13,824 million.

Following the BPI-BFB merger (Note 30.1), BPI assumed a P9,600 million bond with a coupon of 4.30% per annum, payable quarterly. At the acquisition date, the carrying amount of the bond amounted to P9,584 million. The bond matured on June 16, 2022.

Interest expense for the years ended December 31 is summarized as follows:

	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
(In Millions of Pesos)						
Bills payable	1,050	143	77	811	35	59
Other borrowed funds	4,145	3,238	4,789	4,145	3,238	4,337
	5,195	3,381	4,866	4,956	3,273	4,396

The movements in bills payable and other borrowed funds are summarized as follows:

Note	Consolidated		Parent	
	2023	2022	2023	2022
(In Millions of Pesos)				
At January 1	97,503	95,039	93,002	82,550
Impact of merger	-	-	-	9,584
Additions	138,190	61,113	122,029	42,788
Maturities	(98,232)	(63,434)	(80,976)	(46,428)
Amortization of discount	342	241	342	241
Exchange differences	(699)	4,544	(671)	4,267
At December 31	137,104	97,503	133,726	93,002

Bills payable and other borrowed funds are expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Current (within 12 months)	69,861	51,715	67,038	49,443
Non-current (over 12 months)	67,243	45,788	66,688	43,559
	137,104	97,503	133,726	93,002

17 Deferred credits and other liabilities

The account at December 31 consists of the following:

	Note	Consolidated		Parent	
		2023	2022	2023	2022
		(In Millions of Pesos)			
Bills purchased - contra		10,674	12,270	10,674	12,270
Lease liabilities	20	9,756	10,095	8,678	9,726
Outstanding acceptances		7,862	9,100	7,862	9,100
Accounts payable		7,603	4,011	7,082	3,465
Other deferred credits		3,063	3,342	3,063	3,342
Due to the Treasurer of the Philippines		1,568	1,174	1,557	1,164
Withholding tax payable		1,503	880	1,441	841
Miscellaneous liabilities		11,423	10,336	10,674	9,537
		53,452	51,208	51,031	49,445

Bills purchased - contra represents liabilities arising from the outright purchases of checks due for clearing as a means of immediate financing offered by the BPI Group to its clients.

Outstanding acceptances represent liabilities arising from the bank drafts and bills of exchange the Parent Bank has accepted from its clients.

Accounts payable consists of unpaid balances arising from transfer tax payments, settlement fees and operating expenses.

Other deferred credits mainly pertain to unexpired portion of membership fee paid by the credit card holders and discount on purchased contract-to-sell receivables from developers.

Miscellaneous liabilities include pension liability, allowance for credit losses for undrawn committed credit facilities and other employee-related payables.

The account is expected to be settled as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Current (within 12 months)	41,642	41,678	40,268	40,116
Non-current (over 12 months)	11,810	9,530	10,763	9,329
	53,452	51,208	51,031	49,445

18 Capital funds

(a) Share capital

Details of authorized share capital of the Parent Bank follow:

	2023	2022	2021
	(In Millions of Pesos, except par value per share)		
Authorized capital (at P10 par value per share)			
Common shares	54,000	50,000	50,000
Preferred A shares	600	600	600
	54,600	50,600	50,600

Details of the Parent Bank's subscribed common shares are as follows:

	2023	2022	2021
	(In absolute number of shares)		
Common shares			
At January 1	4,919,307,531	4,513,128,255	4,513,101,605
Subscription of shares during the year	25,889,760	406,179,276	26,650
At December 31	4,945,197,291	4,919,307,531	4,513,128,255
	(In absolute amounts)		
Subscription receivable	144,726,145	-	-

The BPI common shares are listed and traded in the PSE since October 12, 1971.

As at December 31, 2023, the Parent Bank has a subscription receivable representing the amortization of Executive Stock Purchase Plan (ESPP) shares in excess of par value and booked against share premium amounting to P342 million (2022 - P208 million; 2021 - P416 million).

On February 10, 2014, additional 370,370,370 common shares were listed as a result of the stock rights offer. Likewise, on April 25, 2018, BPI completed its P50 billion stock rights offer, which paved the way for the issuance of 558,659,210 new common shares at P89.50 per share. The new shares were issued to shareholders as of record date of April 6, 2018, at a ratio of 1:7.0594, or 1 new common share for every 7 shares held, or 14.2% of BPI's outstanding common shares. These new shares were listed on the Philippine Stock Exchange (PSE) on May 4, 2018.

As at December 31, 2023, 2022 and 2021, the Parent Bank has 11,760, 11,864 and 12,084 common shareholders, respectively. There are no preferred shares issued and outstanding at December 31, 2023, 2022 and 2021.

Preferred A shares shall have pre-emptive rights with respect to additional issues of Preferred A shares of the Parent Bank.

On June 8, 2021, the BSP approved the amendment to the Parent Bank's Articles of Incorporation reflecting the increase in its authorized share capital from 4.9 billion shares to 5 billion shares. The SEC approved the amendment on December 21, 2021.

On September 30, 2022, the BOD of the Parent Bank approved the increase in authorized share capital in the amount of P4,000 million divided into 400 million common shares with a par value of P10 per share. On December 21, 2023, the BSP approved the amendment of Article Seventh of the Amended Articles of Incorporation of the Parent Bank. On December 29, 2023, the SEC issued a Certificate of Approval and Increase of Capital Stock from P50.60 billion to P54.60 billion.

BPI and BFB merger (Note 30.1)

The Parent Bank issued 406,179,276 treasury shares on January 1, 2022 at a price of P81.35 per share as a consideration for the merger amounting to P33,042 billion (Note 30.1). The number of treasury shares issued was computed based on the net assets of BFB as at December 31, 2020 over the share price of the Parent Bank as at December 29, 2020. Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Parent Bank's equity holders until the shares are cancelled, reissued or disposed of.

Pursuant to the issuance of shares due to the merger as at January 1, 2022, the Parent Bank's share capital and share premium increased by P4,062 million and P28,981 million, respectively, as at January 1, 2022.

On March 15, 2023, the treasury shares were declared as property dividends by the BOD amounting to P42,364 billion consisting of 406.18 million common shares at an entitlement ratio of 0.0896395563 for every 1 common share held by an eligible stockholder of BPI as of record date of March 29, 2023. Amount in excess of the cost of the treasury shares amounting to P8,949 million is presented as addition to share premium in the statement of changes in capital funds. Transaction costs incurred by the BPI Group and Parent Bank amounted to P372 million and P403 million, respectively.

(b) Reserves

The account consists of:

	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
	(In Millions of Pesos)					
Reserve for trust business	400	387	389	-	-	-
Executive stock option plan amortization	49	132	141	37	116	126
Reserve for trading participants	73	73	-	-	-	-
Reserve for self-insurance	34	34	34	34	34	34
Merger reserves	-	-	-	32,905	32,905	-
Others	87	18	-	-	-	-
	643	644	564	32,976	33,055	160

General loan loss provision (GLLP)

In 2018, the BSP issued Circular 1011 which mandates among others, banks to set up GLLP equal to 1% of all outstanding "Stage 1" on-balance sheet loans, except for accounts considered as credit risk-free under existing regulations. Under the said Circular, if the PFRS 9 "Stage 1" loan loss provision is lower than the required GLLP, the deficiency shall be recognized as an appropriation of retained earnings or surplus. Until December 31, 2019, the BPI Group has appropriated P4,739 million (2018 - P3,867 million) representing the excess of GLLP over PFRS 9 loan loss provision out of surplus to meet the requirements of the BSP. As at December 31, 2023 and December 31, 2022, the GLLP appropriation is nil as the loan loss provision for both years are higher than the required GLLP.

Reserve for trust business

In compliance with existing BSP regulations, 10% of BPI Wealth's, a wholly-owned subsidiary of the Parent Bank, income from trust business should be appropriated to surplus reserve. This appropriation is required until the surplus reserve for trust business reaches 20% of BPI Wealth's regulatory net worth.

Reserve for self-insurance

Reserve for self-insurance represents the amount set aside to cover losses due to fire, defalcation by and other unlawful acts of personnel and third parties.

Reserve for trading participants

Reserve for trading participants represents the required annual minimum appropriation of net income of the BPI Group's broker/dealer activities through BPI Securities Corporation, a wholly-owned subsidiary of the Parent Bank, to a reserve fund in compliance with SEC Memorandum Circular No. 16-2004.

Merger reserves

Merger reserves represent the difference between the value of shares issued by the Parent Bank in exchange for the value of the shares acquired in respect of the acquisition of BFB accounted for under the pooling-of-interest method. It also include the results of operations of BFB during the year ended December 31, 2021, net of dividends declared on December 29, 2021.

Share-based compensation plan

The BOD of the Parent Bank approved to grant the Executive Stock Option Plan (ESOP) and ESPP to qualified beneficiaries/participants up to the following number of shares for future distribution:

Date	Approved ESOP shares	Approved ESPP shares
July 1, 2021	-	34,000,000
December 11, 2019	4,035,000	9,100,000
December 12, 2018	4,168,000	11,500,000
December 6, 2017	3,560,000	7,500,000
January 25, 2017	3,560,000	4,500,000

The ESOP has a three-year vesting period from grant date while the ESPP has a five-year payment period.

The exercise price for ESOP is equal to the volume weighted average of BPI share price for the 30-trading days immediately prior to the grant date. The weighted average fair value of options granted determined using the Black-Scholes valuation model was P19.04 and P6.50 for the options granted in December 2019 and 2018, respectively.

Movements in the number of share options under the ESOP are summarized as follows:

	2023	2022	2021
At January 1	9,866,999	12,905,000	15,921,667
Granted	-	-	-
Exercised	(3,900,440)	(2,353,001)	(1,650,000)
Cancelled	-	(685,000)	(1,366,667)
At December 31	5,966,559	9,866,999	12,905,000
Exercisable	5,966,559	8,708,666	9,095,002

The impact of ESOP is not considered material to the financial statements; thus, the disclosures were limited only to the information mentioned above.

The subscription price for ESPP is equivalent to 10% below the volume weighted average of BPI share price. The subscribed shares will vest over a period of three 3 years from grant date. The grant dates for the last three-year ESPP were on April 26, 2023, December 13, 2022 and February 4, 2020. The initial subscriptions for the ESPP granted on April 26, 2023 and December 13, 2022 were received on April 26, 2023 and March 10, 2023, respectively.

(c) *Accumulated other comprehensive loss*

Details of and movements in the account are as follows:

	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
	(In Millions of Pesos)					
Fair value reserve on financial assets at FVOCI						
At January 1	(8,058)	(3,030)	559	(7,465)	(2,327)	932
Unrealized fair value gain (loss) before tax	6,996	(4,337)	(2,864)	7,005	(4,393)	(2,779)
Amount recycled to profit or loss	(947)	(28)	47	(947)	(28)	148
Deferred income tax effect	(884)	(663)	(772)	(896)	(717)	(628)
At December 31	(2,893)	(8,058)	(3,030)	(2,303)	(7,465)	(2,327)
Share in other comprehensive (loss) income of insurance subsidiaries						
At January 1	(80)	71	219	-	-	-
Share in other comprehensive income (loss) for the year, before tax	63	(187)	(184)	-	-	-
Deferred income tax effect	(13)	36	36	-	-	-
At December 31	(30)	(80)	71	-	-	-
Share in other comprehensive income (loss) of associates						
At January 1	(162)	166	446	-	-	-
Share in other comprehensive income (loss) for the year	454	(328)	(280)	-	-	-
At December 31	292	(162)	166	-	-	-
Translation adjustment on foreign operations						
At January 1	(582)	(517)	(1,144)	-	-	(291)
Translation differences and others	(54)	(65)	627	-	-	291
At December 31	(636)	(582)	(517)	-	-	-
Remeasurements of defined benefit obligation, net						
At January 1	(5,374)	(5,360)	(5,979)	(4,378)	(4,498)	(4,929)
Actuarial (losses) gains for the year	(3,434)	191	1,372	(3,342)	104	1,039
Deferred income tax effect	948	(205)	(753)	947	16	(608)
At December 31	(7,860)	(5,374)	(5,360)	(6,773)	(4,378)	(4,498)
	(11,127)	(14,256)	(8,670)	(9,076)	(11,843)	(6,825)

(d) *Dividend declarations*

Cash dividends

Dividends declared by the BOD of the Parent Bank are as follows:

Date declared	Amount of dividends	
	Per share	Total
(In Millions of Pesos)		
<i>For the year ended December 31, 2023</i>		
May 17, 2023	1.68	7,626
November 15, 2023	1.68	8,308
		15,934
<i>For the year ended December 31, 2022</i>		
May 18, 2022	1.06	4,784
November 16, 2022	1.06	4,784
		9,568
<i>For the year ended December 31, 2021</i>		
May 19, 2021	0.90	4,062
November 17, 2021	0.90	4,062
		8,124

Property dividends

On March 15, 2023, the BOD declared the treasury shares as property dividends (Note 18a).

(e) *Earnings per share (EPS)*

EPS is calculated as follows:

	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
(In Millions of Pesos, except earnings per share amounts)						
a) Net income attributable to equity holders of the Parent Bank	51,687	39,605	23,880	50,053	36,999	22,783
b) Weighted average number of common shares outstanding during the year	4,741	4,513	4,513	4,741	4,513	4,513
c) Basic EPS (a/b) based on net income	10.90	8.78	5.29	10.56	8.20	5.05

The basic and diluted EPS are the same for the years presented as the impact of stock options outstanding is not significant to the calculation of weighted average number of common shares.

19 Other income

(a) Fees and commission

Details of fees and commission are as follows:

	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
	(In Millions of Pesos)					
Service charges	9,673	8,382	8,206	9,000	7,745	7,511
Bank commissions	2,168	1,787	1,796	2,166	1,771	1,540
Underwriting fees	693	936	858	-	-	-
Stock brokerage fees	183	234	344	-	-	-
	12,717	11,339	11,204	11,166	9,516	9,051

Service charges represents service fees and processing fees collected from customers.

Bank commissions include foreign and domestic commissions collected for services rendered.

(b) Other operating income

Details of other operating income are as follows:

Notes	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
	(In Millions of Pesos)					
Credit card income	6,207	4,594	3,542	6,209	4,594	3,449
Trust and asset management fees	4,211	3,802	3,913	2	4	6
Gain on sale of assets	407	5,303	477	420	5,295	129
Rental income	135	195	236	167	225	285
Dividend income	100	60	30	3,066	1,810	6,939
Miscellaneous income	3,207	3,099	2,572	2,877	2,637	2,218
	14,267	17,053	10,770	12,741	14,565	13,026

Dividend income recognized by the Parent Bank substantially pertains to dividend distributions of subsidiaries.

Miscellaneous income includes recoveries on charged-off assets, fees arising from service arrangements with customers and related parties and share in net income (loss) of associates.

20 Leases

The BPI Group (as lessee) has various lease agreements which mainly pertain to branch premises and equipment. Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes. The balances arising from the lease contracts are presented below:

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

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

		Consolidated		Parent	
	Notes	2023	2022	2023	2022
		(In Millions of Pesos)			
Right-of-use assets					
Buildings and leasehold improvements	11	8,404	9,011	7,365	8,666
Lease liabilities (included in "Deferred credits and other liabilities")	17				
Current		2,577	3,417	2,337	3,225
Non-current		7,179	6,678	6,341	6,501
		9,756	10,095	8,678	9,726

Additions to the right-of-use assets (Note 11) in 2023 aggregated P1,701 million (2022 - P4,495 million) and P1,459 million (2022 - P4,220 million) for BPI Group and Parent bank, respectively. Total cash outflow for leases in 2023 amounted to P2,214 million (2022 - P1,925 million) and P1,933 million (2022 - P1,698 million) for BPI Group and Parent bank, respectively.

Amounts recognized in the statement of income relating to leases:

		Consolidated		Parent	
	Note	2023	2022	2023	2022
(In Millions of Pesos)					
<i>Depreciation expense</i>					
Buildings and leasehold improvements	11	2,186	2,088	1,936	1,632
Interest expense (included in "Occupancy and equipment-related expenses")		321	301	281	281
Expense relating to short-term leases (included in "Occupancy and equipment-related expenses")		101	124	101	124
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in "Occupancy and equipment-related expenses")		397	235	354	213
		3,005	2,748	2,672	2,250

The BPI Group has received COVID-19 related rent discount and deferral of the escalation of lease payments and has applied the practical expedients allowed under PFRS 16, *Leases*, introduced in May 2020 in accounting for the rent concessions. Consequently, the BPI Group recognized the following amounts for the years ended December 31:

	Consolidated		Parent	
	2023	2022	2023	2022
(In Millions of Pesos)				
Rent concession (included in "Other operating income")	1	1	1	1

Critical accounting judgment - Determining the lease term

In determining the lease term, the BPI Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Critical accounting judgment - Determining the incremental borrowing rate

To determine the incremental borrowing rate, each entity within the BPI Group:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing; and
- makes adjustments specific to the lease (e.g. term, currency and security).

The BPI Group's weighted average incremental borrowing rates applied to the lease liabilities ranged from 2.00% to 7.40% (2022 - 4.10% to 6.83%). The rates were determined in reference to the borrowing rates arising from the most recent debt issuances of the Parent Bank.

21 Operating expenses

(a) Compensation and fringe benefits

Details of the account for the years ended December 31:

	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
(In Millions of Pesos)						
Salaries and wages	18,600	16,024	15,050	16,320	14,236	11,461
Retirement expense	1,232	1,438	1,443	1,148	1,379	1,135
Other employee benefit expenses	3,389	2,066	2,035	2,842	1,792	1,498
	23,221	19,528	18,528	20,310	17,407	14,094

Other employee benefit expenses pertain to employee incentives like HMO coverage and SSS premiums.

(b) Other operating expenses

Details of the account for the years ended December 31:

	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
(In Millions of Pesos)						
Insurance	5,204	4,768	4,188	5,140	4,711	3,090
Advertising	4,124	2,393	970	4,020	2,259	920
Travel and communication	1,575	1,194	1,123	1,414	1,069	950
Supervision and examination fees	963	873	843	783	695	593
Management and other professional fees	730	651	337	673	572	254
Litigation expenses	477	349	373	468	345	101
Office supplies	428	358	343	363	305	254
Taxes and licenses	224	1,214	1,285	165	1,147	996
Amortization expense	18	172	135	1	3	-
Shared expenses	-	-	-	-	-	53
Others	10,134	7,729	6,598	9,115	7,089	5,009
	23,877	19,701	16,195	22,142	18,195	12,220

Insurance expense comprise mainly of premium payments made to PDIC and other product-related insurance costs.

Other expenses mainly include fees and incentives paid to agents, outsourcing fees, freight charges and other business expense such as those incurred in staff meetings, donations, periodicals and magazines.

22 Income taxes

The reconciliation between the income tax expense at the statutory tax rate and the effective income tax for the years ended December 31 is shown below:

	Consolidated					
	2023		2022		2021	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	16,303	25.00	12,842	25.00	8,384	25.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	(392)	(0.60)	(723)	(1.41)	39	0.12
Tax-exempt income	(1,134)	(1.74)	(1,318)	(2.56)	(1,780)	(5.31)
Others, net	(1,478)	(2.27)	731	1.42	2,784	8.30
Effective income tax	13,299	20.39	11,532	22.45	9,427	28.11

	Parent					
	2023		2022		2021	
	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
	(In Millions of Pesos)					
Statutory income tax	15,559	25.00	11,821	25.00	7,465	25.00
Effect of items not subject to statutory tax rate:						
Income subjected to lower tax rates	(446)	(0.72)	(77)	(0.17)	91	0.30
Tax-exempt income	(1,872)	(3.01)	(1,506)	(3.18)	(933)	(3.12)
Others, net	(1,060)	(1.70)	45	0.10	453	1.52
Effective income tax	12,181	19.57	10,283	21.75	7,076	23.70

The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) bill which provides for lower corporate income tax rates and rationalizes fiscal incentives had been signed into law by the President of the Philippines in 2021 but with an effective date of July 1, 2020. As a result of the CREATE law, the BPI Group recognized an adjustment in 2021 pertaining to the December 31, 2020 balances which resulted in a decrease of P819 million in current income tax expense and an increase of P2,718 million in deferred income tax expense using the weighted average effective annual income tax rate of 27.5%. The Parent Bank likewise recognized a decrease of P724 million in current income tax expense and an increase of P1,976 million in deferred income tax expense, respectively.

23 Retirement plans

The BPI Group maintains both defined benefit and defined contribution retirement plans. Assets of both retirement plans are held in trust and governed by local regulations and practices in the Philippines. The key terms of these pension plans are discussed below.

a) Defined benefit retirement plan

BPI Group (excluding insurance operations)

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

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

Non-life insurance subsidiary

BPI/MS Insurance Corporation has a separate trustee defined benefit plan. Under the plan, the normal retirement age is 60 years. Normal retirement benefit consists of a lump sum benefit equivalent to 175% of the basic monthly salary of the employee at the time of his retirement for each year of service, if he has rendered at least 10 years of service, or to 150% of his basic monthly salary, if he has rendered less than 10 years of service. Death or disability benefit for all employees of the non-life insurance subsidiary shall be determined on the same basis as in normal or voluntary retirement as the case may be.

Following are the amounts recognized based on recent actuarial valuation exercise:

(a) Pension liability as at December 31 recognized in the statement of condition:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Present value of defined benefit obligation	18,632	15,600	18,098	15,296
Fair value of plan assets	(14,103)	(12,876)	(13,722)	(12,515)
Pension liability recognized in the statement of condition	4,529	2,724	4,376	2,781
Effect of asset ceiling	12	24	-	-
	4,541	2,748	4,376	2,781

Pension liability is shown as part of "Miscellaneous liabilities" within Deferred credits and other liabilities (Note 17).

The movements in plan assets are summarized as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
At January 1	12,876	9,999	12,515	8,504
Contributions	2,251	4,182	2,229	3,733
Interest income	886	473	860	401
Benefit payments	(1,032)	(834)	(1,030)	(776)
Remeasurement - return on plan assets	(878)	(944)	(852)	(804)
Transfer to the plan	-	-	-	1,457
At December 31	14,103	12,876	13,722	12,515

The carrying values of the plan assets represent their fair value as at December 31, 2023 and 2022.

The merger between the Parent Bank and BFB became effective on January 1, 2022 (Note 30.1), accordingly, the plan assets of BFB were transferred to the Parent Bank.

The plan assets are comprised of the following:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Debt securities	8,517	6,759	8,287	6,569
Equity securities	4,307	4,852	4,191	4,716
Others	1,279	1,265	1,244	1,230
	14,103	12,876	13,722	12,515

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

Others include cash and cash equivalents and other receivables.

The movements in the present value of defined benefit obligation are summarized as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
At January 1	15,600	15,580	15,296	13,361
Interest cost	1,115	768	1,088	659
Current service cost	757	782	730	656
Remeasurement - changes in financial assumptions	1,013	(1,428)	980	(1,223)
Remeasurement - experience adjustment	1,512	543	1,416	919
Remeasurement - changes in demographic assumption	(332)	-	(306)	-
Benefit payments	(1,033)	(834)	(1,030)	(776)
Past service cost - plan amendment	-	189	-	163
Transfer to the plan	-	-	(76)	1,537
At December 31	18,632	15,600	18,098	15,296

The BPI Group has no other transactions with the plan other than the regular funding contributions presented above for the years ended December 31, 2023 and 2022.

(b) Expense recognized in the statement of income for the years ended December 31 are as follows:

	Consolidated			Parent		
	2023	2022	2021	2023	2022	2021
	(In Millions of Pesos)					
Current service cost	757	782	853	730	656	703
Net interest cost	229	295	298	228	258	256
	986	1,077	1,151	958	914	959

The principal assumptions used for the actuarial valuations of the unified plan are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
Discount rate	6.03%	7.15%	6.03%	7.15%
Future salary increases	6.00%	6.00%	6.00%	6.00%

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

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

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

The BPI Group contributes to the plan depending on the suggested funding contribution as calculated by an independent actuary engaged by management. The expected contributions for the year ending December 31, 2024 for the BPI Group and the Parent Bank amount to P1,273 billion and P1,217 billion, respectively (2022 - P987 million and P964 million, respectively). The weighted average duration of the defined benefit obligation under the BPI unified retirement plan as at December 31, 2023 is 5.09 years (2022 - 7.32 years).

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

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Up to one year	3,347	1,661	3,260	1,647
More than 1 year to 5 years	3,095	3,327	2,980	3,272
More than 5 years to 10 years	2,649	9,955	2,566	9,729
More than 10 years to 15 years	2,783	10,850	2,627	10,644
More than 15 years to 20 years	2,661	6,550	2,573	6,321
Over 20 years	23,833	21,648	22,364	20,612

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as at December 31 follows:

Consolidated

2023

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.90%	Increase by 5.30%
Salary growth rate	1.00%	Increase by 5.20%	Decrease by 4.90%

2022

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 6.80%	Increase by 7.80%
Salary growth rate	1.00%	Increase by 7.80%	Decrease by 7.00%

Parent

2023

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 4.90%	Increase by 5.30%
Salary growth rate	1.00%	Increase by 5.20%	Decrease by 4.90%

2022

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	1.00%	Decrease by 6.80%	Increase by 7.70%
Salary growth rate	1.00%	Increase by 7.70%	Decrease by 6.90%

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

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

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

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

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

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

Accordingly, the liability for the defined benefit minimum guarantee is actuarially calculated similar to the defined benefit plan.

The funding status of the defined contribution plan as at December 31 is shown below:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Fair value of plan assets	2,261	1,961	1,898	1,684
Present value of defined benefit obligation	(595)	(889)	(531)	(767)
	1,666	1,072	1,367	917
Effect of asset ceiling	1,666	1,072	1,367	917
	-	-	-	-

The movements in the present value of the defined benefit obligation follow:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
At January 1	889	760	767	563
Interest cost	66	37	56	28
Current service cost	120	122	95	84
Benefit payments	(184)	(147)	(156)	(128)
Remeasurement - changes in financial assumptions	54	(212)	45	(161)
Remeasurement - experience adjustment	369	282	336	284
Remeasurement - changes in demographic assumptions	(719)	-	(601)	-
Past service cost - plan amendment	-	47	-	36
Transfer to the plan	-	-	(11)	61
At December 31	595	889	531	767

The movements in the fair value of plan assets follow:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
At January 1	1,961	1,981	1,684	1,474
Contribution paid by employer	332	176	270	121
Interest income	145	100	124	74
Benefit payments	(184)	(147)	(156)	(128)
Remeasurement - return on plan assets	7	(149)	(24)	108
Transfer to the plan	-	-	-	35
At December 31	2,261	1,961	1,898	1,684

Total retirement expense for the year ended December 31, 2023 under the defined contribution plan for the BPI Group and Parent Bank amounts to P119 million (2022 - P210 million) and P94 million (2022 - P170 million), respectively.

The components of plan assets of the defined contribution as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Debt securities	619	554	520	476
Equity securities	1,495	1,302	1,255	1,118
Others	147	105	123	90
	2,261	1,961	1,898	1,684

The weighted average duration of the defined contribution retirement plan for the BPI Group and Parent Bank is 8.17 years (2022 - 15.46 years).

Critical accounting estimate - Calculation of defined benefit obligation

The BPI Group estimates its pension benefit obligation and expense for defined benefit pension plans based on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, the discount rate and future salary increases. The BPI Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. The present value of the defined benefit obligations of the BPI Group at December 31, 2023 and 2022 are determined using the market yields on Philippine government bonds with terms consistent with the expected payments of employee benefits. Plan assets are invested in either equity securities, debt securities or other forms of investments. Equity markets may experience volatility, which could affect the value of pension plan assets. This volatility may make it difficult to estimate the long-term rate of return on plan assets. Actual results that differ from the BPI Group's assumptions are reflected as remeasurements in other comprehensive income. The BPI Group's assumptions are based on actual historical experience and external data regarding compensation and discount rate trends.

24 Asset management business

At December 31, 2023, the total trust and fund assets under management of the BPI Group through BPI Wealth amounts to P1,223 billion (2022 - P875 billion).

As required by the General Banking Act, BPI Wealth has deposited government securities with the BSP valued at P990 million (2022 - P673 million).

25 Related party transactions

In the normal course of business, the Parent Bank transacts with related parties consisting of its DOSRI (Directors, Officers, Stockholders, and Related Interests), Subsidiaries and Affiliates including Other Related Parties. Likewise, the BPI Group has transactions with Ayala Corporation (AC) and its subsidiaries (Ayala Group), on an arm's length basis. AC is a significant stockholder of BPI as at reporting date.

The Parent Bank has a Board-level Related Party Transactions Committee (RPTC) that vets and endorses all significant related party transactions which exceed the Parent Bank's set materiality threshold, including those involving DOSRI, for which the latter shall require final BOD approval. The RPTC consists of three directors, majority of whom are independent directors including the Chairman, and two resource persons from management's control groups, namely, the Chief Audit Executive and the Chief Compliance Officer. Those related party transactions involving amounts below the materiality threshold, the Management Vetting Committee (MVC), which is composed of the Parent Bank's Executive Vice Presidents, the Bank's Chief Finance Officer, and the Bank's Treasurer, shall have the authority to vet these transactions. In case any of the vetting committees has conflict of interest, be it actual or perceived, in a particular related party transaction, he or she is required to inhibit from the vetting and endorsement of the particular RPT.

Transactions with related parties have terms and conditions that are generally comparable to those offered to non-related parties and/or to similar transactions in the market. Any deviation or amendment from previously vetted terms and conditions shall require appropriate RPT vetting and approval.

To ensure that related party transactions are within prudent levels, the Parent Bank's BOD shall prescribe, from time to time, internal limits or sub-limits for individual and aggregate credit exposures to related parties that are consistent with the Parent Bank's risk appetite and regulatory guidelines. The limits shall be computed and based on the Parent Bank's prescribed capital metrics.

The RPTC shall report to the BOD, on a regular basis, the status and aggregate credit exposures of the Parent Bank to each related party as well as the total amount of credit exposure to all related parties.

A summary of significant related party transactions and outstanding balances as at and for the years ended December 31 is shown below (transactions with subsidiaries have been eliminated in the consolidated financial statements):

Consolidated

2023			
	Transactions for the year	Outstanding balances	Terms and conditions
			(In Millions of Pesos)
Loans and advances from:			
Associates	71	113	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.45% to 7.58% (including those pertaining to foreign currency-denominated loans) and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(3,087)	61,567	
Other related parties	-	-	
	(3,016)	61,680	
Deposits from:			
Associates	912	1,949	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.70% Savings - 0.08% to 0.10% Time - 4.35% to 5.38% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(2,239)	687	
Key management personnel	958	1,215	
	(369)	3,851	

2022			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Associates	(18)	42	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.95% to 6.09% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(541)	64,654	
Other related parties	(546)	-	
	(1,105)	64,696	
Deposits from:			
Associates	(236)	1,037	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.80% Savings - 0.09% to 0.10% Time - 1.71% to 4.17% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(8,475)	2,926	
Key management personnel	(727)	257	
	(9,438)	4,220	
2021			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Associates	(449)	60	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.50% to 9.63% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Ayala Group	(35,474)	65,195	
Other related parties	546	546	
	(35,377)	65,801	
Deposits from:			
Associates	(4)	1,273	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.07% to 0.14% Savings - 0.10% to 0.24% Time - 1.73% to 2.00% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Ayala Group	(7,349)	11,401	
Key management personnel	200	984	
	(7,153)	13,658	

Parent

2023			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Subsidiaries	53	87	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 6.22% to 7.23% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 1 day to 12 years. Additional information on DOSRI loans are discussed below.
Associates	71	113	
Ayala Group	(3,087)	61,567	
Other related parties	-	-	
	(2,963)	61,767	
Deposits from:			
Subsidiaries	442	6,365	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.05% to 0.80% Savings - 0.09% to 0.09% Time - 4.35% to 5.35% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	912	1,949	
Ayala Group	(2,239)	687	
Key management personnel	936	1,191	
	51	10,192	
2022			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Subsidiaries	34	34	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 4.95% to 6.09% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(18)	42	
Ayala Group	(541)	64,654	
Other related parties	(546)	-	
	(1,071)	64,730	
Deposits from:			
Subsidiaries	(5,408)	5,923	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.06% to 0.80% Savings - 0.09% to 0.10% Time - 1.71% to 4.17% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	(234)	1,037	
Ayala Group	(7,203)	2,926	
Key management personnel	(692)	255	
	(13,537)	10,141	

2021			
	Transactions for the year	Outstanding balances	Terms and conditions
(In Millions of Pesos)			
Loans and advances from:			
Subsidiaries	-	-	These are loans and advances granted to related parties that are generally secured with interest rates ranging from 2.50% to 4.56% (including those pertaining to foreign currency-denominated loans). These are collectible in cash at gross amount and with maturity periods ranging from 5 days to 15 years. Additional information on DOSRI loans are discussed below.
Associates	(449)	60	
Ayala Group	(13,474)	65,195	
Other related parties	546	546	
	(13,377)	65,801	
Deposits from:			
Subsidiaries	3,399	11,331	These are demand, savings and time deposits bearing the following average interest rates: Demand - 0.07% to 0.14% Savings - 0.10% to 0.22% Time - 0.79% to 1.04% Demand and savings deposits are payable in cash and on demand. Time deposits are payable in cash at maturity.
Associates	17	1,271	
Ayala Group	(6,721)	10,129	
Key management personnel	219	947	
	(3,086)	23,678	

The aggregate amounts included in the determination of income before income tax (after elimination) that resulted from transactions with each class of related parties are as follows:

Consolidated	2023	2022	2021
(In Millions of Pesos)			
Interest income			
Associates	8	-	11
Ayala Group	2,297	1,724	2,782
Other related parties	-	-	21
	2,305	1,724	2,814
Other income			
Associates	327	1,771	312
Ayala Group	935	833	2,470
	1,262	2,604	2,782
Interest expense			
Associates	18	1	1
Ayala Group	4	29	18
Key management personnel	14	1	2
	36	31	21
Other expenses			
Associates	191	389	-
Ayala Group	799	1,769	1,112
	990	2,158	1,112
Retirement benefits			
Key management personnel	50	52	46
Salaries, allowances and other short-term benefits			
Key management personnel	1,477	831	829
Directors' remuneration	113	157	119

Parent	2023	2022	2021
	(In Millions of Pesos)		
Interest income			
Subsidiaries	19	5	5
Associates	8	-	11
Ayala Group	2,297	1,724	2,782
Other related parties	-	-	21
	2,324	1,729	2,819
Other income			
Subsidiaries	209	733	1,630
Associates	139	1,771	312
Ayala Group	935	648	1,645
	1,283	3,152	3,587
Interest expense			
Subsidiaries	19	5	5
Associates	18	1	1
Ayala Group	4	29	13
Key management personnel	14	1	1
	55	36	20
Other expenses			
Subsidiaries	127	817	10
Associates	-	282	-
Ayala Group	799	1,744	867
	926	2,843	877
Retirement benefits			
Key management personnel	48	51	41
Salaries, allowances and other short-term benefits			
Key management personnel	1,433	796	746
Directors' remuneration	88	131	86

Other income mainly consists of revenue from service arrangements with related parties in which the related outstanding balance is included under accounts receivable. Other expenses pertain to shared costs with related parties and the related outstanding balance is recognized as accounts payable.

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Outstanding DOSRI loans	18,701	19,571	18,701	19,571

As at December 31, 2023, allowance for credit losses amounting to P247 million (2022 - P589 million) have been recognized against receivables from related parties.

26 Financial risk management

The BOD carries out its risk management function through the Risk Management Committee (RMC). The RMC is tasked with nurturing a culture of risk management across the BPI Group. The RMC sets the risk appetite; proposes and approves risk management policies, frameworks, and guidelines; and regularly reviews risk management structures, metrics, limits, and issues across the BPI Group, in order to meet and comply with regulatory and international standards on risk measurement and management.

At the management level, the Risk Management Office (RMO) is headed by the Chief Risk Officer (CRO). The CRO is ultimately responsible in leading the formulation of risk management policies and methodologies in alignment with the overall business strategy of BPI, ensuring that risks are prudently and rationally undertaken and within its risk appetite, as well as commensurate and disciplined to maximize returns on shareholders' capital. Risk management is carried out by a dedicated team of skilled risk managers and senior officers who have extensive prior operational experience. BPI's risk managers regularly monitor key risk indicators and report exposures against carefully established financial and business risk metrics and limits approved by the RMC.

Finally, independent reviews are regularly conducted by the Internal Audit group, external auditors, and regulatory examiners to ensure that risk controls and mitigants are in place and functioning effectively as intended.

The possibility of incurring losses is, however, compensated by the possibility of earning more than expected income. Risk-taking is, therefore, not entirely negative to be avoided. Risk-taking actions present opportunities if risks are fully identified and accounted, deliberately taken, and are kept within prudent and rationalized limits.

Credit risk, liquidity risk and market risk, as well as operational and cyber security risks are some of the top risks that the BPI Group manages.

26.1 Credit risk

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

Loans and advances are the most evident source of credit risks; however, other sources of credit risk exist throughout the activities of the BPI Group, including in credit-related activities recorded in the banking books, investment securities in the trading books and off-balance sheet transactions.

26.1.1 Credit risk management

The Credit Policy and Risk Management (CPRM) division is responsible for the overall management of the BPI Group's credit risks. CPRM supports the Senior Management in coordination with various business lending and operations units in identifying, measuring, reporting, and managing credit risk.

The BPI Group employs a range of policies and practices to mitigate credit risks. The BPI Group monitors its loan and investment portfolios based on different segmentations to reflect the acceptable level of diversification and concentration. Concentration risk in credit portfolios is inherent in banking and cannot be eliminated. However, said risk may be reduced by adopting proper risk controls, mitigation, and diversification strategies to prevent undue credit risk concentrations from excessive exposures to counterparties, borrower-groups, industries, countries or regions.

The BPI Group structures the levels of credit risks it undertakes by placing limits or monitoring thresholds on the amount of risks accepted in relation to one borrower, or group of borrowers, industry segments, and countries or regions. Such risks are monitored on a regular basis and subjected to annual or more frequent review, when deemed necessary. Limits on large exposures and credit concentration are approved by the BOD through the RMC.

The exposure to any borrower may also be further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against risk limits are monitored regularly. Methodologies for measuring credit risk vary depending on several factors, including type of asset, borrower or counterparties' risk profiles, risk measurement parameters and risk management and collection processes. Credit risk measurement is based on the probability of default (PD) of an obligor or counterparty, the loss severity given a default (LGD) event and the exposure at default (EAD).

A rigorous control framework is applied in the determination of expected credit loss (ECL) models. The BPI Group has policies and procedures that govern the calculation of ECL, which is performed by the Credit Risk Modeling, Analytics and MIS (CRMA-MIS) division. All ECL models are regularly reviewed by the Risk Management Office to ensure that necessary controls are in place and the models are applied accordingly.

The review and validation of ECL models are performed by groups that are independent of CRMA-MIS, e.g., Risk Models Validation Division, Internal Auditors, and/or external assurance partners. Expert judgments on measurement methodologies and assumptions are reviewed by a group of internal experts from various functions across the Parent Bank.

Credit loss estimates are based on estimates of the PD and loss severity given a default. The PD is the likelihood that a borrower will default on its obligation; the LGD is the estimated loss that would be realized upon the default and takes into consideration collateral and structural support for each credit facility. The estimation process includes assigning risk ratings to each borrower and credit facility to differentiate risk within the portfolio. These risk ratings are reviewed regularly by RMO and revised as needed to reflect the borrower's current financial position, risk profile, related collateral or credit enhancements, and other credit risk mitigants. The calculations and assumptions are based on both internal and external historical experience and management judgment and are reviewed regularly.

The BPI Group's forward-looking, point-in-time PD models are driven by internal forecasts of macroeconomic variables (MEVs) over the next five years. These models were previously recalibrated annually, but in view of the COVID-19 pandemic, more frequent review and update of these models were conducted starting April 2020 as MEV forecasts were revised quarterly in response to changing macroeconomic conditions. Furthermore, the pandemic was expected to significantly increase foreclosures and dampen demand for auto and real estate collaterals and thus decrease market prices, so appropriate haircuts were applied on estimated recoveries from collaterals.

The BPI Group also manages counterparty credit risk arising from both pre-settlement and settlement risks. Pre-settlement risk is the risk that a counterparty will default prior to the final settlement/maturity of a transaction, while settlement risk pertains to the risk that a counterparty fails to deliver on settlement/maturity date when the Bank has already delivered on its contractual obligations. In managing counterparty risks, pre-settlement and settlement risk limits are established and exposures are monitored daily for each counterparty to cover the aggregate of pre-settlement and settlement risks arising from transactions with the BPI Group. The BPI Group also employs various tools and methods including use of delivery versus payment settlement, payment versus payment settlement, use of collateral agreements, and other acceptable credit risk mitigation techniques to further manage counterparty credit risk.

The BPI Group employs specific control and risk mitigation measures, some of which are outlined below:

(a) Collateral or guarantees

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

- Mortgages over physical properties (e.g., real estate and personal);
- Mortgages over financial assets [e.g., guarantees, investments (bonds or equities)]; and
- Margin agreement for derivatives, for which the BPI Group has also entered into master netting agreements.

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

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

(b) Market Limits

The BPI Group maintains market limits on net open derivative positions (i.e., the difference between purchase and sale contracts). Credit risk is limited to the net current fair value of instruments, which in relation to derivatives is only a portion of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments (except where the BPI Group requires margin deposits from counterparties).

(c) Master netting arrangements

The BPI Group further restricts its exposure to credit losses by entering master netting arrangements with certain counterparties with which it undertakes significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts (asset position) is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The BPI Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(d) Credit-related commitments

Documentary and commercial letters of credit - which are written undertakings by the BPI Group on behalf of a customer authorizing a third party to draw drafts on the BPI Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods and therefore carry less risk than a direct loan.

26.1.2 Credit risk rating

The BPI Group uses internal credit risk gradings that reflect its assessment of the PD of individual counterparties. The BPI Group uses its internal credit risk rating system, credit models (e.g. credit risk scorecards) or external ratings from reputable credit rating agencies. Specific data about the borrower and loan are collected at the time of application and credit evaluation (such as financial and business information, source of incomes/revenues, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) and are used in the internal credit scoring models. In addition, the internal models allow expert judgment from the Credit Risk Rating Committee and consideration of other data inputs not captured into the model in the determination of the final internal credit score for each borrower.

The BPI Group has adopted an internal credit classification system that is aligned with regulatory guidelines and aims to identify deteriorating credit exposures on a timely basis. Exposures are classified into each of the following categories:

- *Standard monitoring* - This category includes accounts which do not have a greater-than-normal risk and do not possess the characteristics of special monitoring and defaulted loans. The borrower or counterparty has the ability to satisfy the obligation in full and therefore minimal loss, if any, is anticipated.
- *Special monitoring* - This category includes accounts which need closer and frequent monitoring to prevent any further credit deterioration. The counterparty is assessed to be vulnerable to highly vulnerable and its capacity to meet its financial obligations is dependent upon favorable business, financial, and economic conditions.
- *Default* - This category includes accounts which exhibit probable to severe weaknesses wherein probability of non-repayment of loan obligation is ranging from high to extremely high.

i. Corporate (including cross-border loans, contracts-to-sell/group plans with recourse, floorstock lines) and Small and Medium-sized Enterprise (SME) loans

The BPI Group's internal credit risk rating system comprises a 22-scale rating with eighteen (18) 'pass' rating levels for large corporate accounts, a 14-scale rating system with ten (10) 'pass' rating grades for SME accounts, and a 23-scale rating with nineteen (19) 'pass' rating levels for cross-border accounts. For cross-border accounts, the BPI Group also uses available external/benchmark credit ratings issued by reputable rating agencies if there is no internal rating. The level of risk and associated PD are determined using either the internal credit risk ratings or external/benchmark credit ratings, as applicable, for corporate loans.

The BPI Group uses the following set of classifications:

Classifications	Large corporate	SME	Cross-Border
Standard monitoring	AAA to B-, unrated, and ≤ 30 days past due (dpd)	AAA to B-, unrated, and ≤ 30 dpd	AAA to B- with no significant increase in credit risk (SICR), and ≤ 30 dpd
Special monitoring	CCC to C or based on prescribed dpd threshold	CCC to C or based on prescribed dpd threshold	Downgraded to lower than BB+ with SICR but not impaired, or based on prescribed dpd threshold
Default	Adversely classified accounts (ACA) or >90 dpd or Items in Litigation (IL)	ACA or >90 dpd or IL	Default/ACA with objective evidence of impairment, or > 90 dpd

ii. Retail loans

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

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

Classifications	Credit cards	Personal, auto and housing	SEME*
Standard monitoring	≤ 29 dpd	≤ 30 dpd	≤ 10 dpd
Special monitoring	30 to 89 dpd	31 to 90 dpd or based on prescribed dpd threshold	Not applicable
Default	>89 dpd or IL	>90 dpd or IL	>10 dpd

*Self-employed micro-entrepreneurs

iii. *Treasury and other investment debt securities*

Investments in high grade securities and bills are viewed as a way to gain better credit quality mix and at the same time, maintain a readily available source to meet funding requirements. The level of credit risk for treasury and other investment debt securities and their associated PD are determined using either internal ratings or reputable external ratings and/or available and reliable qualitative and quantitative information. In the absence of both internal and external 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	Applicable ratings
Standard monitoring	AAA to B- with no SICR
Special monitoring	Downgraded to lower than BB+ with SICR but not impaired
Default	Default, with objective evidence of impairment

iv. *Other financial assets at amortized cost*

For other financial assets (non-credit receivables), the BPI Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss methodology. These financial assets are grouped based on shared risk characteristics and aging profile. For some of these, impairment is assessed individually at a counterparty level.

26.1.3 Maximum exposure to credit risk

26.1.3.1 Loans and advances, net

Credit risk exposures relating to on-balance sheet loans and advances are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Corporate and SME loans, net	1,482,335	1,372,660	1,478,037	1,366,793
Retail loans, net	399,672	330,330	371,803	313,891
	1,882,007	1,702,990	1,849,840	1,680,684

The carrying amount of loans and advances above also represents the BPI Group's maximum exposure to credit risk. The following tables contain an analysis of the credit risk exposure of each financial instrument for which an ECL allowance is recognized.

Credit quality of loans and advances, net

Consolidated

Corporate and SME loans

	2023			Total	2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
(In Millions of Pesos)								
Credit grade								
Standard monitoring	1,152,071	1,865	-	1,153,936	1,171,215	52,183	-	1,223,398
Special monitoring	129,537	199,296	-	328,833	78,737	79,040	-	157,777
Default	-	-	38,812	38,812	-	-	35,167	35,167
Gross amount	1,281,608	201,161	38,812	1,521,581	1,249,952	131,223	35,167	1,416,342
Loss allowance	(10,596)	(3,483)	(25,167)	(39,246)	(9,855)	(1,444)	(32,383)	(43,682)
Carrying amount	1,271,012	197,678	13,645	1,482,335	1,240,097	129,779	2,784	1,372,660

Retail loans

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)							
Credit grade								
Standard monitoring	373,296	16,217	3	389,516	308,616	13,005	-	321,621
Special monitoring	525	8,705	-	9,230	401	6,333	-	6,734
Default	-	-	19,154	19,154	-	-	16,060	16,060
Gross amount	373,821	24,922	19,157	417,900	309,017	19,338	16,060	344,415
Loss allowance	(4,890)	(3,242)	(10,096)	(18,228)	(4,045)	(2,195)	(7,845)	(14,085)
Carrying amount	368,931	21,680	9,061	399,672	304,972	17,143	8,215	330,330

Parent

Corporate and SME loans

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)							
Credit grade								
Standard monitoring	1,147,940	1,865	-	1,149,805	1,165,519	52,183	-	1,217,702
Special monitoring	129,537	199,296	-	328,833	78,737	79,040	-	157,777
Default	-	-	38,813	38,813	-	-	35,117	35,117
Gross amount	1,277,477	201,161	38,813	1,517,451	1,244,256	131,223	35,117	1,410,596
Loss allowance	(10,767)	(3,483)	(25,164)	(39,414)	(10,026)	(1,444)	(32,333)	(43,803)
Carrying amount	1,266,710	197,678	13,649	1,478,037	1,234,230	129,779	2,784	1,366,793

Retail loans

	2023			Total	2022			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL		Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
(In Millions of Pesos)								
Credit grade								
Standard monitoring	345,864	16,160	3	362,027	292,362	12,940	-	305,302
Special monitoring	524	8,286	-	8,810	401	6,162	-	6,563
Default	-	-	16,601	16,601	-	-	14,254	14,254
Gross amount	346,388	24,446	16,604	387,438	292,763	19,102	14,254	326,119
Loss allowance	(4,135)	(3,229)	(8,271)	(15,635)	(3,509)	(2,188)	(6,531)	(12,228)
Carrying amount	342,253	21,217	8,333	371,803	289,254	16,914	7,723	313,891

The tables below present the gross amount of “Stage 2” loans and advances by age category.

Consolidated

	2023			2022		
	Corporate and SME loans	Retail loans	Total	Corporate and SME loans	Retail loans	Total
(In Millions of Pesos)						
Current	200,390	12,072	212,462	130,601	9,721	140,322
Past due up to 30 days	389	4,544	4,933	520	3,618	4,138
Past due 31 - 90 days	382	8,306	8,688	102	5,999	6,101
Past due 91 - 180 days	-	-	-	-	-	-
Over 180 days	-	-	-	-	-	-
	201,161	24,922	226,083	131,223	19,338	150,561

Parent

	2023			2022		
	Corporate and SME loans	Retail loans	Total	Corporate and SME loans	Retail loans	Total
(In Millions of Pesos)						
Current	200,390	12,033	212,423	130,601	9,671	140,272
Past due up to 30 days	389	4,522	4,911	520	3,596	4,116
Past due 31 - 90 days	382	7,891	8,273	102	5,835	5,937
Past due 91 - 180 days	-	-	-	-	-	-
Over 180 days	-	-	-	-	-	-
	201,161	24,446	225,607	131,223	19,102	150,325

26.1.3.2 Treasury and other investment securities, net

Credit risk exposures arising from treasury and other investment securities are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
(In Millions of Pesos)				
Due from BSP	199,619	182,869	192,246	178,534
Due from other banks	36,292	45,190	33,081	43,096
Interbank loans receivable and SPAR, net	20,643	12,382	17,342	11,631
Financial assets at FVTPL	23,543	21,941	17,456	16,941
Financial assets at FVOCI	215,780	92,447	212,442	90,477
Investment securities at amortized cost, net	382,711	420,533	377,120	415,035
	878,588	775,362	849,687	755,714

Credit quality of treasury and other investment securities, net

Consolidated

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
(In Millions of Pesos)								
Credit grade								
Standard monitoring								
Due from BSP	199,619	-	-	199,619	182,869	-	-	182,869
Due from other banks	36,292	-	-	36,292	45,190	-	-	45,190
Interbank loans receivable and SPAR	20,645	-	-	20,645	12,382	-	-	12,382
Financial assets at FVTPL	23,543	-	-	23,543	21,941	-	-	21,941
Financial assets at FVOCI	215,438	342	-	215,780	92,040	407	-	92,447
Investment securities at amortized cost	381,811	931	-	382,742	419,614	930	-	420,544
Default								
Interbank loans receivable and SPAR	-	-	41	41	-	-	40	40
Gross carrying amount	877,348	1,273	41	878,662	774,036	1,337	40	775,413
Loss allowance	(33)	-	(41)	(74)	(1)	(10)	(40)	(51)
Carrying amount	877,315	1,273	-	878,588	774,035	1,327	-	775,362

Parent

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
(In Millions of Pesos)								
Credit grade								
Standard monitoring								
Due from BSP	192,246	-	-	192,246	178,534	-	-	178,534
Due from other banks	33,081	-	-	33,081	43,096	-	-	43,096
Interbank loans receivable and SPAR	17,344	-	-	17,344	11,631	-	-	11,631
Financial assets at FVTPL	17,456	-	-	17,456	16,941	-	-	16,941
Financial assets at FVOCI	212,100	342	-	212,442	90,070	407	-	90,477
Investment securities at amortized cost	376,220	931	-	377,151	414,116	930	-	415,046
Default								
Interbank loans receivable and SPAR	-	-	41	41	-	-	40	40
Gross carrying amount	848,447	1,273	41	849,761	754,388	1,337	40	755,765
Loss allowance	(33)	-	(41)	(74)	(1)	(10)	(40)	(51)
Carrying amount	848,414	1,273	-	849,687	754,387	1,327	-	755,714

26.1.3.3 Other financial assets at amortized cost

Other financial assets at amortized cost that are exposed to credit risk are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
(In Millions of Pesos)				
Accounts receivable, net	1,242	1,346	2,758	1,791
Rental deposits	828	825	781	782
Other accrued interest and fees receivable	76	64	9	10
Others	377	216	358	212
	2,523	2,451	3,906	2,795

The carrying amounts of the above financial assets represent the BPI Group's maximum exposure to credit risk.

The BPI Group's other financial assets at amortized cost (shown under Other assets, net) generally arise from transactions with various unrated counterparties with good credit standing. The BPI Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss methodology for other financial assets.

26.1.3.4 Loan commitments

Credit risk exposures arising from undrawn loan commitments are as follows:

Consolidated

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
(In Millions of Pesos)								
Credit grade								
Standard monitoring	542,193	1,749	-	543,942	1,087,193	1,280	-	1,088,473
Special monitoring	16,241	-	-	16,241	111,801	-	-	111,801
Default	-	-	543	543	-	-	579	579
Gross amount	558,434	1,749	543	560,726	1,198,994	1,280	579	1,200,853
Loss allowance*	(1,067)	(94)	(71)	(1,232)	(924)	(56)	(54)	(1,034)
Carrying amount	557,367	1,655	472	559,494	1,198,070	1,224	525	1,199,819

*Included in "Miscellaneous liabilities" in Note 17

Parent

	2023				2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
(In Millions of Pesos)								
Credit grade								
Standard monitoring	542,193	1,749	-	543,942	1,087,193	1,280	-	1,088,473
Special monitoring	16,241	-	-	16,241	111,801	-	-	111,801
Default	-	-	543	543	-	-	579	579
Gross amount	558,434	1,749	543	560,726	1,198,994	1,280	579	1,200,853
Loss allowance*	(1,067)	(94)	(71)	(1,232)	(924)	(56)	(54)	(1,034)
Carrying amount	557,367	1,655	472	559,494	1,198,070	1,224	525	1,199,819

*Included in "Miscellaneous liabilities" in Note 17

26.1.4 Credit impaired loans and advances

The BPI Group closely monitors collaterals held for financial assets considered to be credit-impaired (Stage 3), as it becomes more likely that the BPI Group will take possession of collateral to mitigate potential credit losses. Loans and advances that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Consolidated

	2023			2022		
	Gross exposure	Impairment allowance	Net carrying amount	Gross exposure	Impairment allowance	Net carrying amount
	(In Millions of Pesos)					
Credit-impaired assets						
Corporate and SME loans	38,812	25,167	13,645	35,167	32,383	2,784
Retail loans	19,157	10,096	9,061	16,060	7,845	8,215
Total credit-impaired assets	57,969	35,263	22,706	51,227	40,228	10,999
Fair value of collateral	21,713			35,970		

Parent

	2023			2022		
	Gross exposure	Impairment allowance	Net carrying amount	Gross exposure	Impairment allowance	Net carrying amount
	(In Millions of Pesos)					
Credit-impaired assets						
Corporate and SME loans	38,813	25,164	13,649	35,117	32,333	2,784
Retail loans	16,604	8,271	8,333	14,254	6,531	7,723
Total credit-impaired assets	55,417	33,435	21,982	49,371	38,864	10,507
Fair value of collateral	27,654			35,856		

The BPI Group acquires assets by taking possession of collaterals held as security for loans and advances.

As at December 31, 2023, the BPI Group's foreclosed collaterals have carrying amount of P4,743 million (2022 - P3,760 million). The related foreclosed collaterals have aggregate fair value of P14,424 million (2022 - P12,607 million). Foreclosed collaterals include real estate (land, building, and improvements), auto and chattel. Repossessed properties are sold as soon as practicable and are classified as Assets held for sale in the statement of condition. In 2023, the Parent Bank realized a gain of P83 million (2022 - P81 million loss) from disposals of foreclosed collaterals with book value of P2,149 million (2022 - P1,731 million).

26.1.5 Loss allowance

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent transfer between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the year and releases for financial instruments derecognized during the year;
- Write-offs of allowances related to assets that were written off during the year;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs during the year;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange translations for assets denominated in foreign currencies and other movements.

The following tables summarize the changes in the loss allowance for loans and advances between the beginning and the end of the annual period. No movement analysis of allowance for impairment is presented for treasury and other investment debt securities and other financial assets subject to impairment as the related loss allowance is deemed insignificant for financial reporting purposes.

Consolidated

Corporate and SME loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
(In Millions of Pesos)				
Loss allowance, at January 1, 2023	9,855	1,444	32,383	43,682
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,237)	2,435	2,597	2,795
Transfer from Stage 2	26	(211)	143	(42)
Transfer from Stage 3	-	-	(106)	(106)
New financial assets originated	3,727	-	-	3,727
Financial assets derecognized during the year	(872)	(426)	(1,596)	(2,894)
Changes in assumptions and other movements in provision	102	243	(7,564)	(7,219)
	746	2,041	(6,526)	(3,739)
Write-offs and other movements	(5)	(2)	(690)	(697)
Loss allowance, at December 31, 2023	10,596	3,483	25,167	39,246

Retail loans	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
(In Millions of Pesos)				
Loss allowance, at January 1, 2023	4,045	2,195	7,845	14,085
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,839)	2,348	4,569	5,078
Transfer from Stage 2	116	(1,198)	1,573	491
Transfer from Stage 3	6	40	(266)	(220)
New financial assets originated	2,744	-	-	2,744
Financial assets derecognized during the year	(395)	(107)	(502)	(1,004)
Changes in assumptions and other movements in provision	222	(32)	400	590
	854	1,051	5,774	7,679
Write-offs and other movements	(9)	(4)	(3,523)	(3,536)
Loss allowance, at December 31, 2023	4,890	3,242	10,096	18,228

Parent

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Corporate and SME loans				
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	10,026	1,444	32,333	43,803
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(2,237)	2,435	2,597	2,795
Transfer from Stage 2	26	(211)	143	(42)
Transfer from Stage 3	-	-	(106)	(106)
New financial assets originated	3,727	-	-	3,727
Financial assets derecognized during the year	(872)	(426)	(1,596)	(2,894)
Changes in assumptions and other movements in provision	102	243	(7,567)	(7,222)
	746	2,041	(6,529)	(3,742)
Write-offs and other movements	(5)	(2)	(640)	(647)
Loss allowance, at December 31, 2023	10,767	3,483	25,164	39,414

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Retail loans				
		(In Millions of Pesos)		
Loss allowance, at January 1, 2023	3,509	2,188	6,531	12,228
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,049)	2,337	3,315	4,603
Transfer from Stage 2	116	(1,152)	1,489	453
Transfer from Stage 3	6	40	(252)	(206)
New financial assets originated	1,525	-	-	1,525
Financial assets derecognized during the year	(112)	(106)	(415)	(633)
Changes in assumptions and other movements in provision	142	(74)	96	164
	628	1,045	4,233	5,906
Write-offs and other movements	(2)	(4)	(2,493)	(2,499)
Loss allowance, at December 31, 2023	4,135	3,229	8,271	15,635

Consolidated

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Corporate and SME loans				
		(In Millions of Pesos)		
Loss allowance, at January 1, 2022	11,318	2,728	23,865	37,911
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,555)	723	1,256	424
Transfer from Stage 2	21	(817)	165	(631)
Transfer from Stage 3	1	5	(49)	(43)
New financial assets originated	2,640	-	-	2,640
Financial assets derecognized during the year	(1,353)	(843)	(2,708)	(4,904)
Changes in assumptions and other movements in provision	(1,105)	(356)	10,153	8,692
	(1,351)	(1,288)	8,817	6,178
Write-offs and other movements	(112)	4	(299)	(407)
Loss allowance, at December 31, 2022	9,855	1,444	32,383	43,682

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Retail loans				
Loss allowance, at January 1, 2022	4,967	1,970	8,916	15,853
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,233)	1,381	2,565	2,713
Transfer from Stage 2	113	(1,324)	1,338	127
Transfer from Stage 3	13	66	(440)	(361)
New financial assets originated	1,669	-	-	1,669
Financial assets derecognized during the year	(519)	(124)	(729)	(1,372)
Changes in assumptions and other movements in provision	(960)	228	(7)	(739)
	(917)	227	2,727	2,037
Write-offs and other movements	(5)	(2)	(3,798)	(3,805)
Loss allowance, at December 31, 2022	4,045	2,195	7,845	14,085

Parent

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Corporate and SME loans				
Loss allowance, at January 1, 2022	10,689	2,709	21,866	35,264
Impact of merger	806	19	1,941	2,766
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(1,555)	723	1,256	424
Transfer from Stage 2	21	(817)	165	(631)
Transfer from Stage 3	1	5	(49)	(43)
New financial assets originated	2,640	-	-	2,640
Financial assets derecognized during the year	(1,353)	(843)	(2,708)	(4,904)
Changes in assumptions and other movements in provision	(1,110)	(356)	10,152	8,686
	(1,356)	(1,288)	8,816	6,172
Write-offs and other movements	(113)	4	(290)	(399)
Loss allowance, at December 31, 2022	10,026	1,444	32,333	43,803

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	(In Millions of Pesos)			
Retail loans				
Loss allowance, at January 1, 2022	1,057	920	3,623	5,600
Impact of merger	3,500	1,040	3,869	8,409
Provision for credit losses for the year				
Transfers:				
Transfer from Stage 1	(838)	1,376	1,905	2,443
Transfer from Stage 2	112	(1,291)	1,292	113
Transfer from Stage 3	11	66	(423)	(346)
New financial assets originated	955	-	-	955
Financial assets derecognized during the year	(280)	(123)	(625)	(1,028)
Changes in assumptions and other movements in provision	(1,007)	202	8	(797)
	(1,047)	230	2,157	1,340
Write-offs and other movements	(1)	(2)	(3,118)	(3,121)
Loss allowance, at December 31, 2022	3,509	2,188	6,531	12,228

Critical accounting estimate and judgment - Measurement of expected credit loss for loans and advances

The measurement of the expected credit loss (ECL) for loans and advances is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). The explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 31.3.2.2.

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

- determining criteria for SICR;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.

Forward-looking information incorporated in the ECL models

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

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

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

At December 31, 2023

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	6.2	6.3	7.3	7.9	1.9	1.0
Inflation rate (%)	3.7	2.8	3.4	2.1	6.5	9.2
BVAL 5Y (%)	6.1	5.3	4.9	3.4	7.8	10.1
US Treasury 5Y (%)	4.6	4.0	3.5	2.1	6.4	8.8
Exchange rate	54.325	57.325	53.459	55.648	55.648	67.662

At December 31, 2022

	Base Scenario		Upside Scenario		Downside Scenario	
	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)	Next 12 Months	2 to 5 years (Average)
Real GDP growth (%)	5.5	5.1	6.7	6.8	4.3	3.4
Inflation rate (%)	3.9	2.8	2.9	1.5	5.0	4.0
BVAL 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	56.725	56.552	56.379	53.158	57.071	60.148

Sensitivity analysis

The loan portfolios have different sensitivities to movements in MEVs, so the above three scenarios have varying impact on the expected credit losses of the BPI Group's portfolios. The allowance for impairment is calculated as the weighted average of expected credit losses under the baseline, upside and downside scenarios. The impact of weighting these multiple scenarios was an increase in the allowance for impairment by P247 million as at December 31, 2023 from the baseline scenario (2022 - P15 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 month expected credit losses to lifetime expected credit losses, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in expected credit losses. Assuming all Stage 2 accounts are considered as Stage 1, allowance for impairment would have decreased by P2,626 million as at December 31, 2023 (2022 - P1,059 million).

26.1.6 Concentrations of risks of financial assets with credit risk exposure

The BPI Group's main credit exposure at their carrying amounts, as categorized by industry sectors follow:

Consolidated (December 31, 2023)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
(In Millions of Pesos)									
Financial and insurance activities	199,619	36,292	20,686	7,415	26,354	15,988	188,185	-	494,539
Real estate activities	-	-	-	-	438	3,061	448,479	-	451,978
Manufacturing	-	-	-	261	4,260	5,204	300,056	-	309,781
Consumer	-	-	-	-	-	-	221,824	-	221,824
Transportation, storage and communications	-	-	-	-	1,915	12,453	219,845	-	234,213
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	-	1,455	6,433	217,264	-	225,152
Electricity, gas, steam and air-conditioning supply	-	-	-	18	537	30,803	177,949	-	209,307
Others	-	-	-	15,849	180,821	308,800	165,879	3,438	674,787
Allowance	-	-	(43)	-	-	(31)	(57,474)	(915)	(58,463)
At December 31, 2023	199,619	36,292	20,643	23,543	215,780	382,711	1,882,007	2,523	2,763,118

Consolidated (December 31, 2022)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
(In Millions of Pesos)									
Financial and insurance activities	182,869	45,190	12,422	11,145	1,822	18,090	163,038	-	434,576
Real estate activities	-	-	-	2	407	3,955	404,678	-	409,042
Manufacturing	-	-	-	221	2,331	4,525	288,524	-	295,601
Consumer	-	-	-	-	-	-	162,155	-	162,155
Transportation, storage and communications	-	-	-	-	829	11,210	193,222	-	205,261
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	8	699	5,637	191,816	-	198,160
Electricity, gas, steam and air-conditioning supply	-	-	-	17	32	32,263	208,671	-	240,983
Others	-	-	-	10,548	86,327	344,864	148,653	3,402	593,794
Allowance	-	-	(40)	-	-	(11)	(57,767)	(951)	(58,769)
At December 31, 2022	182,869	45,190	12,382	21,941	92,447	420,533	1,702,990	2,451	2,480,803

Parent Bank (December 31, 2023)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
(In Millions of Pesos)									
Financial and insurance activities	192,246	33,081	17,385	3,335	26,073	15,264	187,619	-	475,531
Real estate activities	-	-	-	31	438	3,061	447,244	-	450,743
Manufacturing	-	-	-	85	4,260	4,452	299,068	-	307,780
Consumer	-	-	-	-	-	-	202,241	-	202,241
Transportation, storage and communications	-	-	-	64	1,915	11,073	218,718	-	231,706
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	1	1,455	5,489	209,654	-	216,598
Electricity, gas, steam and air-conditioning supply	-	-	-	135	537	29,677	177,890	-	208,121
Others	-	-	-	13,805	177,764	308,135	162,455	4,742	666,672
Allowance	-	-	(43)	-	-	(31)	(55,049)	(836)	(55,959)
At December 31, 2023	192,246	33,081	17,342	17,456	212,442	377,120	1,849,840	3,906	2,703,433

Parent Bank (December 31, 2022)

	Due from BSP	Due from other banks	Interbank loans receivable and SPAR, net	Financial assets at FVTPL	Financial assets at FVOCI	Investment securities at amortized cost, net	Loans and advances, net	Other financial assets, net	Total
(In Millions of Pesos)									
Financial and insurance activities	178,534	43,096	11,671	7,570	1,822	18,090	162,971	-	423,754
Real estate activities	-	-	-	2	407	3,955	403,380	-	407,744
Manufacturing	-	-	-	221	2,202	4,525	286,928	-	293,876
Consumer	-	-	-	-	-	-	151,910	-	151,910
Transportation, storage and communications	-	-	-	-	829	11,210	191,819	-	203,858
Wholesale and retail trade, repair of motor vehicle, motorcycle	-	-	-	8	699	5,637	186,567	-	192,911
Electricity, gas, steam and air-conditioning supply	-	-	-	17	32	32,263	208,636	-	240,948
Others	-	-	-	9,123	84,486	339,366	144,504	3,703	581,182
Allowance	-	-	(40)	-	-	(11)	(56,031)	(908)	(56,990)
At December 31, 2022	178,534	43,096	11,631	16,941	90,477	415,035	1,680,684	2,795	2,439,193

26.1.7 Provision for (reversal of) credit and impairment losses

The BPI Group's provision for (reversal of) credit and impairment losses are attributable to the following accounts:

		Consolidated			Parent		
	Notes	2023	2022	2021	2023	2022	2021
		(In Millions of Pesos)					
Loans and advances	10	3,940	8,215	12,765	2,164	7,512	10,226
Assets held for sale		(222)	411	44	(223)	396	20
Interbank loans receivable and SPAR	5	3	(6)	5	3	(6)	5
Investment securities at amortized cost	9	20	5	(7)	20	5	(7)
Undrawn loan commitments	32	198	287	(212)	198	287	(199)
Impairment on equity investment	12	-	-	-	-	-	60
Accounts receivable	14	34	172	83	12	160	215
Other assets		27	83	457	28	83	271
		4,000	9,167	13,135	2,202	8,437	10,591

26.2 Market risk

The BPI Group is exposed to market risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk management in BPI covers managing exposures to trading risk, foreign exchange risk, and interest rate risk in the banking book.

Market risk management is incumbent on the BOD through the RMC. At the management level, the BPI Group's market risk exposures are managed by the RMO, headed by the Parent Bank's CRO who reports directly to the RMC. In order to effectively manage market risk, the Bank has well established policies and procedures approved by the RMC and confirmed by the Executive Committee/BOD. In addition, the Internal Audit is responsible for the independent review of risk assessment measures and procedures and the control environment.

The BPI Group reviews and controls market risk exposures of both its trading and non-trading portfolios. Trading portfolios include those positions arising from BPI's market-making and risk-taking activities. The BPI Group also has derivatives exposures in interest rate swaps, currency swaps and structured notes as part of its trading and position taking activities. Non-trading portfolios include positions arising from core banking activities, which includes the BPI Group's retail and commercial banking assets and liabilities.

Value-at-Risk (VaR) measurement is an integral part of the BPI Group's market risk control system. This metric estimates, at 99% confidence level, the maximum loss that a trading portfolio may incur over a trading day. This metric indicates as well that there is 1% statistical probability that the trading portfolios' actual loss would be greater than the computed VaR. 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 Management to assess the vulnerability of BPI Group's positions. To control the risk, the RMC sets risk limits for trading portfolios which are consistent with the BPI Group's goals, objectives, risk appetite, and strategies.

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

The average daily VaR for the trading portfolios are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Local fixed-income	50	28	47	27
Foreign fixed-income	184	89	173	81
Foreign exchange	214	131	118	48
Derivatives	158	180	158	115
Equity securities	14	24	-	-
Mutual fund	18	31	-	-
	638	483	496	271

26.2.1 Foreign exchange risk

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

The BPI Group takes on exposure to the effects of fluctuations in the prevailing exchange rates on its foreign currency financial position and cash flows. The table below summarizes the BPI Group's exposure to more material foreign currency exchange rate risk primarily in USD, shown in their Peso equivalent at December 31:

Consolidated

	2023			2022		
	USD	Others*	Total	USD	Others*	Total
(In Millions of Pesos)						
Financial assets						
Cash and other cash items	3,196	344	3,540	2,886	385	3,271
Due from other banks	16,038	12,530	28,568	27,638	16,993	44,631
Interbank loans receivable and SPAR	2,287	32	2,319	4,553	524	5,077
Financial assets at FVTPL	12,745	455	13,200	6,537	1,111	7,648
Financial assets at FVOCI - debt securities	51,353	1,143	52,496	23,336	1,083	24,419
Investment securities at amortized cost	138,928	1,768	140,696	141,692	2,597	144,289
Loans and advances, net	115,324	5,284	120,608	139,617	6,171	145,788
Others financial assets	22,429	1	22,430	35,983	1	35,984
Total financial assets	362,300	21,557	383,857	382,242	28,865	411,107
Financial liabilities						
Deposit liabilities	271,646	17,685	289,331	269,677	37,096	306,773
Due to BSP and other banks	1,149	-	1,149	2,284	-	2,284
Derivative financial liabilities	1,568	449	2,017	2,109	928	3,037
Bills payable	53,497	-	53,497	67,158	-	67,158
Manager's checks and demand drafts outstanding	209	1	210	210	8	218
Accounts payable	475	3	478	346	2	348
Other financial liabilities	712	1	713	121	2	123
Total financial liabilities	329,256	18,139	347,395	341,905	38,036	379,941
Net on-balance sheet position	33,044	3,418	36,462	40,337	(9,171)	31,166

*Others category includes financial instruments denominated in JPY, EUR and GBP.

Parent Bank

	2023			2022		
	USD	Others*	Total	USD	Others*	Total
(In Millions of Pesos)						
Financial assets						
Cash and other cash items	3,195	344	3,539	2,886	385	3,271
Due from other banks	15,701	12,510	28,211	27,330	16,975	44,305
Interbank loans receivable and SPAR	2,214	-	2,214	4,460	-	4,460
Financial assets at FVTPL	11,661	385	12,046	6,107	910	7,017
Financial assets at FVOCI - debt securities	50,898	1,143	52,041	22,792	1,066	23,858
Investment securities at amortized cost	134,797	303	135,100	137,606	1,180	138,786
Loans and advances, net	111,902	659	112,561	134,884	5,212	140,096
Others financial assets	22,429	-	22,429	35,982	-	35,982
Total financial assets	352,797	15,344	368,141	372,047	25,728	397,775
Financial liabilities						
Deposit liabilities	270,759	17,566	288,325	268,592	36,978	305,570
Due to BSP and other banks	1,149	-	1,149	2,209	-	2,209
Derivative financial liabilities	1,520	449	1,969	2,090	928	3,018
Bills payable	50,119	-	50,119	62,656	-	62,656
Manager's checks and demand drafts outstanding	209	1	210	210	8	218
Accounts payable	208	3	211	346	2	348
Other financial liabilities	712	-	712	121	2	123
Total financial liabilities	324,676	18,019	342,695	336,224	37,918	374,142
Net on-balance sheet position	28,121	(2,675)	25,446	35,823	(12,190)	23,633

*Others category includes financial instruments denominated in JPY, EUR and GBP.

Presented below is a sensitivity analysis demonstrating the impact on pre-tax income of reasonably possible change in the exchange rate between US Dollar and Philippine Peso. The fluctuation rate is based on the historical movement of US Dollar against the Philippine Peso year on year.

Year	Change in currency	Effect on pre-tax income	
		Consolidated	Parent
		(In millions of Pesos)	
2023	+/-1.42%	+/- 469	+/- 399
2022	+/-4.82%	+/- 1,948	+/- 1,727

26.2.2 Interest rate risk

Interest rate risk is the risk that cash flows or fair value of a financial instrument will fluctuate due to movements in market interest rates.

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is the current and prospective risk to the BPI Group's capital and earnings arising from the adverse movements in interest rates that affect its banking book positions (core banking activities). The BPI Group is exposed to interest rate risk arising from financial assets and liabilities that have different maturities and repricing schedules and are re-priced taking into account the prevailing market interest rates. Excessive levels of interest rate risks in the banking book can pose a significant threat to the BPI Group's earnings and capital base.

The BPI Group employs two methods to measure the potential impact of interest rate risk in the banking book: (i) one that focuses on the impact on economic value of the future cash flows in the banking book due to changes in interest rates - Balance Sheet VaR (BSVaR), and (ii) one that focuses on the potential deterioration in net interest earnings - Earnings-at-Risk (EaR). The RMC sets limits on the two interest rate risk metrics which are monitored daily by the Market and Liquidity Risk Management Division of the RMO. The EaR and BSVaR are built on the interest rate/repricing gap profile of the bank.

The interest rate gap is the difference between the amount of interest rate sensitive assets and liabilities and off-balance sheet items. It distributes the balance sheet accounts according to their contractual maturity if fixed, or repricing date if floating. For accounts that do not have defined maturity or repricing schedules (i.e., non-maturity deposits), and accounts with embedded optionality (i.e., time deposit pretermination, fixed-rate loan prepayment), historical patterns/behaviors are utilized and assessed to determine their expected repricing schedules. These behavioral assumptions are derived from historical customer behavior and are regularly back tested to ensure accuracy and propriety of these assumptions. Interest rate derivatives are used to hedge banking book interest rate exposures, and these are also included in the repricing gap analysis. There were no outstanding interest rate hedges as at December 31, 2023 and 2022.

Earnings-at-Risk (EaR)

The EaR is built on the repricing profile of the BPI Group and considers principal payments only. The BPI Group projects interest inflows from its financial assets and interest outflows from its financial liabilities in the next 12 to 36 months as earnings are affected when interest rates move against the BPI Group's position. In determining the appropriate rate shocks in calculating EaR, the daily year-on-year change in rates is determined using the parametric approach at 99% confidence level. The Parent Bank uses more than ten years' worth of data in deriving the rate shocks. As at December 31, 2023, the net interest income impact of movement in interest rates resulted in an increase of P275 million (2022 - P1,199 million decrease) for the whole BPI Group and an increase of P329 million (2022 - P1,195 million decrease) for the Parent Bank over a short-term (12-month) horizon. Likewise, the net interest income impact of movement in interest rates over the medium-term (36-month) horizon resulted in an increase of P7,019 million (2022 - P371 million decrease) for the whole BPI Group and an increase of P7,005 million (2022 - P501 million decrease) for the Parent Bank.

Balance Sheet Value at Risk (BSVaR)

The BSVaR model is also built on repricing gap or the difference between the amount of rate-sensitive financial assets and liabilities which considers both principal and interest payments. It measures the deterioration in the economic/present value of the BPI Group's expected net cash flows due to adverse interest rate movements. In determining the appropriate rate shocks in calculating BSVaR, the adverse daily year-on-year change in rates is determined using the historical approach for the past one year at 99% confidence level. As at December 31, 2023, the average monthly BSVaR for the banking book stood at P16,842 million (2022 - P16,861 million) for the whole BPI Group and P15,883 million (2022 - P16,277 million) for the Parent Bank.

The IRRBB levels are closely monitored against RMC-approved limits and results are reported and discussed regularly at the Management level through the Asset and Liability Committee (ALCO) and at the Board level through the RMC. The BPI Group manages interest rate exposures related to its assets and liabilities through a transfer-pricing system administered by Treasury. Investment securities and interest rate derivatives are also used to hedge interest rate risk and manage repricing gaps in the balance sheet.

The BPI Group also conducts price stress tests in the banking book and EaR stress tests utilizing a variety of interest rate shock scenarios to identify the impact of adverse movements in interest rates on the BPI Group's economic value and earnings. The design of the price and EaR stress tests include the following:

- Internal rate shocks scenarios including extreme yet plausible historical stressed events, curve shifting (parallel up/down) and twisting (steepening and flattening yield curves), and forward-looking scenarios; and
- Other rate shocks as prescribed by Basel.

The interest rate shocks applied are calibrated for all major currencies in which the BPI Group has significant positions. The BPI Group also conducts Uniform Stress Testing in accordance with the prescribed scenarios of the BSP.

The results of the stress test are reported to the RMC and Senior Management and are integrated into the overall risk management framework of the BPI Group.

The BPI Group has established comprehensive risk management framework (e.g., policies, procedures, risk limits structures) supported by a robust risk management system. Furthermore, the risk management process, including its various components, is subject to periodic independent review (i.e. internal audit and model validation) and consistently calibrated to ensure accuracy, relevance, propriety and timeliness of data and assumptions employed. The assumptions and parameters used in building these metrics are properly documented. Any changes in the methodology and assumptions used are duly approved by the Chief Risk Officer and noted by the RMC.

The table below summarizes the BPI Group's exposure to interest rate risk, categorized by the earlier of contractual repricing or maturity dates.

Consolidated (December 31, 2023)

	Repricing			Non-repricing	Total
	Up to 1 year	Over 1 up to 3 years	Over 3 years		
	(In Millions of Pesos)				
As at December 31, 2023					
Financial Assets					
Cash and other cash items	-	-	-	34,843	34,843
Due from BSP	-	-	-	199,619	199,619
Due from other banks	-	-	-	36,292	36,292
Interbank loans receivable and SPAR	-	-	-	20,643	20,643
Financial assets at FVTPL	150	1,144	1,023	21,226	23,543
Financial assets at FVOCI	-	-	-	215,780	215,780
Investment securities at amortized cost	-	-	-	382,711	382,711
Loans and advances, net	1,096,399	327,690	257,835	200,083	1,882,007
Other financial assets	-	-	-	2,523	2,523
Total financial assets	1,096,549	328,834	258,858	1,113,720	2,797,961
Financial Liabilities					
Deposit liabilities	1,392,507	349,672	552,927	-	2,295,106
Due to BSP and other banks	-	-	-	1,881	1,881
Derivative financial liabilities	12	822	672	1,315	2,821
Bills payable and other borrowed funds	1,661	-	-	135,443	137,104
Manager's checks and demand drafts outstanding	-	-	-	8,463	8,463
Other financial liabilities	-	-	-	11,316	11,316
Total financial liabilities	1,394,180	350,494	553,599	158,418	2,456,691
Total interest gap	(297,631)	(21,660)	(294,741)	955,302	341,270

Consolidated (December 31, 2022)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
	(In Millions of Pesos)				
As at December 31, 2022					
Financial Assets					
Cash and other cash items	-	-	-	39,613	39,613
Due from BSP	-	-	-	182,869	182,869
Due from other banks	-	-	-	45,190	45,190
Interbank loans receivable and SPAR	-	-	-	12,382	12,382
Financial assets at FVTPL	48	957	2,159	18,777	21,941
Financial assets at FVOCI	-	-	-	92,447	92,447
Investment securities at amortized cost	-	-	-	420,533	420,533
Loans and advances, net	983,901	291,744	292,685	134,660	1,702,990
Other financial assets	-	-	-	2,451	2,451
Total financial assets	983,949	292,701	294,844	948,922	2,520,416
Financial Liabilities					
Deposit liabilities	1,272,993	337,648	485,360	-	2,096,001
Due to BSP and other banks	-	-	-	2,887	2,887
Derivative financial liabilities	28	879	1,154	2,236	4,297
Bills payable and other borrowed funds	2,176	-	-	95,327	97,503
Manager's checks and demand drafts outstanding	-	-	-	6,755	6,755
Other financial liabilities	-	-	-	6,138	6,138
Total financial liabilities	1,275,197	338,527	486,514	113,343	2,213,581
Total interest gap	(291,248)	(45,826)	(191,670)	835,579	306,835

Parent Bank (December 31, 2023)

	Repricing			Non-repricing	Total
	Up to 1 year	Over 1 up to 3 years	Over 3 years		
(In Millions of Pesos)					
As at December 31, 2023					
Financial Assets					
Cash and other cash items	-	-	-	34,444	34,444
Due from BSP	-	-	-	192,246	192,246
Due from other banks	-	-	-	33,081	33,081
Interbank loans receivable and SPAR	-	-	-	17,342	17,342
Financial assets at FVTPL	150	1,144	1,023	15,139	17,456
Financial assets at FVOCI	-	-	-	212,442	212,442
Investment securities at amortized cost	-	-	-	377,120	377,120
Loans and advances, net	1,091,862	327,352	257,263	173,363	1,849,840
Other financial assets	-	-	-	3,906	3,906
Total financial assets	1,092,012	328,496	258,286	1,059,083	2,737,877
Financial Liabilities					
Deposit liabilities	1,368,484	346,892	548,757	-	2,264,133
Due to BSP and other banks	-	-	-	1,881	1,881
Derivative financial liabilities	12	822	673	1,267	2,774
Bills payable and other borrowed funds	-	-	-	133,726	133,726
Manager's checks and demand drafts outstanding	-	-	-	8,431	8,431
Other financial liabilities	-	-	-	10,721	10,721
Total financial liabilities	1,368,496	347,714	549,429	156,026	2,421,666
Total interest gap	(276,484)	(19,218)	(291,143)	903,057	316,211

Parent Bank (December 31, 2022)

	Repricing				
	Up to 1 year	Over 1 up to 3 years	Over 3 years	Non-repricing	Total
	(In Millions of Pesos)				
As at December 31, 2022					
Financial Assets					
Cash and other cash items	-	-	-	39,359	39,359
Due from BSP	-	-	-	178,534	178,534
Due from other banks	-	-	-	43,096	43,096
Interbank loans receivable and SPAR	-	-	-	11,631	11,631
Financial assets at FVTPL	48	957	2,159	13,777	16,941
Financial assets at FVOCI	-	-	-	90,477	90,477
Investment securities at amortized cost	-	-	-	415,035	415,035
Loans and advances, net	976,541	291,337	292,618	120,188	1,680,684
Other financial assets	-	-	-	2,794	2,794
Total financial assets	976,589	292,294	294,777	914,891	2,478,551
Financial Liabilities					
Deposit liabilities	1,265,986	335,084	481,514	-	2,082,584
Due to BSP and other banks	-	-	-	2,811	2,811
Derivative financial liabilities	28	879	1,154	2,192	4,253
Bills payable and other borrowed funds	-	-	-	93,002	93,002
Manager's checks and demand drafts outstanding	-	-	-	6,751	6,751
Other financial liabilities	-	-	-	5,542	5,542
Total financial liabilities	1,266,014	335,963	482,668	110,298	2,194,943
Total interest gap	(289,425)	(43,669)	(187,891)	804,593	283,608

26.3 Liquidity risk

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

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

26.3.1 Liquidity risk management process

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

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

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. The starting point for these projections is an analysis of the contractual maturity of the financial liabilities (Note 26.3.2) and the expected collection date of the financial assets. Sources of liquidity are regularly reviewed by the BPI Group to maintain a wide diversification by currency, geography, counterparty, product and term.

The BPI Group also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit.

Liquidity Coverage Ratio (LCR)

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

The main drivers of the Parent Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits, unsecured borrowings, committed and/or uncommitted facilities, derivatives cash flows and cash inflows from maturing corporate, business and retail loans, among others. Significant portion of funding comes from retail and wholesale deposits, and unsecured wholesale funding. The Parent Bank has derivatives exposures in foreign exchange derivatives and interest rate swaps. Cash outflows from the derivatives contracts are effectively offset by the derivatives cash inflows. These two are accorded 100% outflow and inflow factors, respectively. The exposures coming from derivatives and potential counterparty collateral calls are not significant to impact the LCR, with Parent Bank's Peso and USD LCR both well above the minimum regulatory limit of 100%. There is also no significant currency mismatch noted in the LCR.

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

Net Stable Funding Ratio (NSFR)

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

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

The table below shows the actual liquidity metrics of the BPI Group and the Parent Bank:

	Consolidated		Parent	
	2023	2022	2023	2022
Liquidity coverage ratio	206.67%	194.52%	207.35%	194.37%
Net stable funding ratio	153.55%	148.81%	152.54%	148.02%
Leverage ratio	10.95%	10.71%	10.38%	10.08%
Total exposure measure	2,957,335	2,669,592	2,892,222	2,607,989

The increase in the Parent Bank's LCR was driven by higher HQLA coming from reserves and government securities. Cash, reserves and due from BSP make up 31% (2022 - 33%) of the total stock of HQLA for the year ended December 31, 2023. Likewise, the Parent Bank's NSFR increased driven by higher ASF from deposits and borrowings.

26.3.2 Maturity profile - Non-derivative financial instruments

The tables below present the maturity profile of non-derivative financial instruments based on undiscounted cash flows including future interest which the BPI Group uses to manage the inherent liquidity risk. The maturity analysis is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the financial asset will be realized, or the financial liability will be settled.

Consolidated (December 31, 2023)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
As at December 31, 2023				
Financial Assets				
Cash and other cash items	34,843	-	-	34,843
Due from BSP	199,631	-	-	199,631
Due from other banks	36,292	-	-	36,292
Interbank loans receivable and SPAR	19,336	1,571	-	20,907
Financial assets at FVTPL	6,969	2,334	10,797	20,100
Financial assets at FVOCI	51,952	70,326	153,682	275,960
Investment securities at amortized cost	82,480	116,931	241,188	440,599
Loans and advances	909,354	343,250	740,942	1,993,546
Other financial assets	2,523	-	-	2,523
Total financial assets	1,343,380	534,412	1,146,609	3,024,401
Financial Liabilities				
Deposit liabilities	1,385,666	348,469	543,061	2,277,196
Due to BSP and other banks	1,882	-	-	1,882
Bills payable and other borrowed funds	69,861	67,243	-	137,104
Manager's checks and demand drafts outstanding	8,463	-	-	8,463
Lease liabilities	2,144	4,686	3,230	10,060
Other financial liabilities	11,316	-	-	11,316
Total financial liabilities	1,479,332	420,398	546,291	2,446,021
Total maturity gap	(135,952)	114,014	600,318	578,380

Consolidated (December 31, 2022)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
As at December 31, 2022				
Financial Assets				
Cash and other cash items	39,613	-	-	39,613
Due from BSP	182,879	-	-	182,879
Due from other banks	45,190	-	-	45,190
Interbank loans receivable and SPAR	12,353	51	2	12,406
Financial assets at FVTPL	6,145	1,964	6,500	14,609
Financial assets at FVOCI	12,973	57,426	41,665	112,064
Investment securities at amortized cost	62,896	110,946	314,923	488,765
Loans and advances	888,065	435,069	752,413	2,075,547
Other financial assets	2,451	-	-	2,451
Total financial assets	1,252,565	605,456	1,115,503	2,973,524
Financial Liabilities				
Deposit liabilities	1,268,490	332,382	472,451	2,073,323
Due to BSP and other banks	2,887	-	-	2,887
Bills payable and other borrowed funds	52,227	46,191	-	98,418
Manager's checks and demand drafts outstanding	6,755	-	-	6,755
Lease liabilities	1,896	3,852	4,013	9,761
Other financial liabilities	6,138	-	-	6,138
Total financial liabilities	1,338,393	382,425	476,464	2,197,282
Total maturity gap	(85,828)	223,031	639,039	776,242

Parent Bank (December 31, 2023)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
As at December 31, 2023				
Financial Assets				
Cash and other cash items	34,444	-	-	34,444
Due from BSP	192,246	-	-	192,246
Due from other banks	33,081	-	-	33,081
Interbank loans receivable and SPAR	16,036	1,571	-	17,607
Financial assets at FVTPL	4,544	2,116	10,498	17,158
Financial assets at FVOCI	50,373	69,399	152,626	272,398
Investment securities at amortized cost	81,802	114,845	237,741	434,388
Loans and advances	895,784	321,011	736,857	1,953,652
Other financial assets	3,906	-	-	3,906
Total financial assets	1,312,216	508,942	1,137,722	2,958,880
Financial Liabilities				
Deposit liabilities	1,362,155	345,688	538,892	2,246,735
Due to BSP and other banks	1,882	-	-	1,882
Bills payable and other borrowed funds	67,038	66,688	-	133,726
Manager's checks and demand drafts outstanding	8,431	-	-	8,431
Lease liabilities	1,977	4,385	3,200	9,562
Other financial liabilities	10,721	-	-	10,721
Total financial liabilities	1,452,204	416,761	542,092	2,411,057
Total maturity gap	(139,988)	92,181	595,630	547,823

Parent Bank (December 31, 2022)

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
	(In Millions of Pesos)			
As at December 31, 2022				
Financial Assets				
Cash and other cash items	39,359	-	-	39,359
Due from BSP	178,538	-	-	178,538
Due from other banks	43,096	-	-	43,096
Interbank loans receivable and SPAR	11,602	51	2	11,655
Financial assets at FVTPL	4,595	1,852	6,500	12,947
Financial assets at FVOCI	11,117	57,220	40,939	109,276
Investment securities at amortized cost	62,648	108,971	310,935	482,554
Loans and advances	871,926	421,804	747,813	2,041,543
Other financial assets	2,794	-	-	2,794
Total financial assets	1,225,675	589,898	1,106,189	2,921,762
Financial Liabilities				
Deposit liabilities	1,144,684	290,277	409,293	1,844,254
Due to BSP and other banks	2,811	-	-	2,811
Bills payable and other borrowed funds	49,937	43,830	-	93,767
Manager's checks and demand drafts outstanding	6,751	-	-	6,751
Lease liabilities	1,722	3,639	3,991	9,352
Other financial liabilities	5,542	-	-	5,542
Total financial liabilities	1,211,447	337,746	413,284	1,962,477
Total maturity gap	14,228	252,152	692,905	959,285

26.3.3 Maturity profile - Derivative instruments

- *Derivatives settled on a net basis*

The BPI Group's derivatives that are settled on a net basis consist of interest rate swaps, non-deliverable forwards and non-deliverable swaps. The table below presents the contractual undiscounted cash flows of interest rate swaps based on the remaining period from December 31 to the contractual maturity dates that are subject to offsetting, enforceable master netting arrangements and similar agreements.

Consolidated and Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023	(In Millions of Pesos)			
Interest rate swap contracts - held for trading				
- Inflow	150	1,144	1,023	2,317
- Outflow	(12)	(822)	(672)	(1,506)
- Net inflow	138	322	351	811
Non-deliverable forwards and swaps - held for trading				
- Inflow	34	-	-	34
- Outflow	(172)	-	-	(172)
- Net outflow	(138)	-	-	(138)
2022	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
Interest rate swap contracts - held for trading	(In Millions of Pesos)			
- Inflow	48	957	2,159	3,164
- Outflow	(28)	(879)	(1,154)	(2,061)
- Net inflow	20	78	1,005	1,103
Non-deliverable forwards and swaps - held for trading				
- Inflow	123	356	-	479
- Outflow	(147)	-	-	(147)
- Net outflow	(24)	356	-	332

- *Derivatives settled on a gross basis*

The BPI Group's derivatives that are settled on a gross basis include foreign exchange derivatives mainly currency forwards and currency swaps and warrants. The table below presents the contractual undiscounted cash flows of foreign exchange derivatives based on the remaining period from reporting date to the contractual maturity dates.

Consolidated

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023	(In Millions of Pesos)			
Foreign exchange derivatives - held for trading				
- Inflow	1,273	124	49	1,446
- Outflow	(1,097)	(36)	(9)	(1,142)
- Net inflow	176	88	40	304
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2
2022	(In Millions of Pesos)			
Foreign exchange derivatives - held for trading				
- Inflow	3,385	52	55	3,492
- Outflow	(2,025)	(54)	(9)	(2,088)
- Net inflow	1,360	(2)	46	1,404
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

Parent Bank

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2023	(In Millions of Pesos)			
Foreign exchange derivatives - held for trading				
- Inflow	1,272	124	49	1,445
- Outflow	(1,050)	(36)	(9)	(1,096)
- Net inflow	222	88	40	349
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
2022				
Foreign exchange derivatives - held for trading				(In Millions of Pesos)
- Inflow	3,282	52	55	3,389
- Outflow	(1,980)	(54)	(9)	(2,043)
- Net inflow	1,302	(2)	46	1,346
Warrants				
- Inflow	-	-	2	2
- Outflow	-	-	-	-
- Net inflow	-	-	2	2

26.4 Fair value measurement

The following tables present the carrying value of assets and liabilities and the level of fair value hierarchy within which the fair value measurements are categorized:

26.4.1 Assets and liabilities measured at fair value on a recurring or non-recurring basis

Consolidated (December 31, 2023)

	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
<i>Recurring measurements:</i>					(In Millions of Pesos)
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,802	-	3,802	-	3,802
Trading assets					
- Debt securities	19,741	19,741	-	-	19,741
- Equity securities	111	111	-	-	111
Financial assets at FVOCI					
- Debt securities	215,780	215,780	-	-	215,780
- Equity securities	2,874	1,266	699	909	2,874
	242,308	236,898	4,501	909	242,308
Financial liabilities					
Derivative financial liabilities	2,821	-	2,821	-	2,821
<i>Non-recurring measurements</i>					
Assets held for sale, net	4,743	-	14,424	-	14,424

Consolidated (December 31, 2022)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
<i>Recurring measurements:</i> (In Millions of Pesos)					
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	7,147	-	7,147	-	7,147
Trading assets					
- Debt securities	14,794	14,794	-	-	14,794
- Equity securities	192	191	1	-	192
Financial assets at FVOCI					
- Debt securities	92,447	92,317	130	-	92,447
- Equity securities	2,820	1,709	346	765	2,820
	117,400	109,011	7,624	765	117,400
Financial liabilities					
Derivative financial liabilities	4,297	-	4,297	-	4,297
<i>Non-recurring measurements</i>					
Assets held for sale, net	3,760	-	12,607	-	12,607

Parent Bank (December 31, 2023)

	Carrying Amount	Fair value			Total
		Level 1	Level 2	Level 3	
<i>Recurring measurements:</i> (In Millions of Pesos)					
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	3,796	-	3,796	-	3,796
Trading assets					
- Debt securities	13,660	13,660	-	-	13,660
- Equity securities	-	-	-	-	-
Financial assets at FVOCI					
- Debt securities	212,442	212,442	-	-	212,442
- Equity securities	1,741	1,043	698	-	1,741
	231,639	227,145	4,494	-	231,639
Financial liabilities					
Derivative financial liabilities	2,774	-	2,774	-	2,774
<i>Non-recurring measurements</i>					
Assets held for sale, net	4,646	-	14,092	-	14,092

Parent Bank (December 31, 2022)

	Carrying Amount	Fair value			
		Level 1	Level 2	Level 3	Total
<i>Recurring measurements:</i>		(In Millions of Pesos)			
Financial assets					
Financial assets at FVTPL					
Derivative financial assets	7,035	-	7,035	-	7,035
Trading assets					
- Debt securities	9,906	9,906	-	-	9,906
- Equity securities	-	-	-	-	-
Financial assets at FVOCI					
- Debt securities	90,477	90,477	-	-	90,477
- Equity securities	1,676	1,331	345	-	1,676
	109,094	101,714	7,380	-	109,094
Financial liabilities					
Derivative financial liabilities	4,253	-	4,253	-	4,253
<i>Non-recurring measurements</i>					
Assets held for sale, net	3,650	-	12,183	-	12,183

The table below shows the valuation techniques and applicable unobservable inputs used to measure the BPI Group's Level 3 financial instruments (equities classified at FVOCI) as at December 31:

Description	Valuation technique	Unobservable inputs	Amount	
			2023	2022
Unlisted equity securities	Net asset value; investment multiple	Net asset value; investment multiple	909	765

The investment valuation sensitivity of the underlying portfolio investee company is mainly impacted by the movement in net asset value and investment multiple. At December 31, 2023, if the net asset value and investment had increased/ decreased by 1% with all other variables held constant, net income and equity as at and for the year ended December 31, 2023 would have been P6.82 million (2022 - P5.74 million) higher/lower.

There were no transfers between the fair value hierarchy levels during the years ended December 31, 2023 and 2022.

26.4.2 Fair value disclosures of assets and liabilities not measured at fair value

Consolidated (December 31, 2023)

	Carrying amount	Fair value		
		Level 1	Level 2	Total
(In Millions of Pesos)				
Financial assets				
Cash and other cash items	34,843	-	34,843	34,843
Due from BSP	199,619	-	199,619	199,619
Due from other banks	36,292	-	36,292	36,292
Interbank loans receivable and SPAR, net	20,643	-	20,643	20,643
Investment securities at amortized cost, net	382,711	364,286	-	364,286
Loans and advances, net	1,882,007	-	2,154,136	2,154,136
Other financial assets	2,523	-	2,523	2,523
Financial liabilities				
Deposit liabilities	2,295,106	-	2,277,196	2,277,196
Due to BSP and other banks	1,881	-	1,881	1,881
Bills payable and other borrowed funds	137,104	133,726	3,378	137,104
Manager's checks and demand drafts outstanding	8,463	-	8,463	8,463
Other financial liabilities	11,316	-	11,316	11,316
Non-financial assets				
Investment properties	69	-	463	463

Consolidated (December 31, 2022)

	Carrying amount	Fair value		
		Level 1	Level 2	Total
(In Millions of Pesos)				
Financial assets				
Cash and other cash items	39,613	-	39,613	39,613
Due from BSP	182,869	-	182,869	182,869
Due from other banks	45,190	-	45,190	45,190
Interbank loans receivable and SPAR, net	12,382	-	12,382	12,382
Investment securities at amortized cost, net	420,533	391,540	-	391,540
Loans and advances, net	1,702,990	-	2,060,167	2,060,167
Other financial assets	2,451	-	2,451	2,451
Financial liabilities				
Deposit liabilities	2,096,001	-	2,073,323	2,073,323
Due to BSP and other banks	2,887	-	2,887	2,887
Bills payable and other borrowed funds	97,503	93,001	4,651	97,652
Manager's checks and demand drafts outstanding	6,755	-	6,755	6,755
Other financial liabilities	6,138	-	6,138	6,138
Non-financial assets				
Investment properties	74	-	248	248

Parent Bank (December 31, 2023)

	Carrying amount	Fair value		Total
		Level 1	Level 2	
		(In Millions of Pesos)		
Financial assets				
Cash and other cash items	34,444	-	34,444	34,444
Due from BSP	192,246	-	192,246	192,246
Due from other banks	33,081	-	33,081	33,081
Interbank loans receivable and SPAR, net	17,342	-	17,342	17,342
Investment securities at amortized cost, net	377,120	359,164	-	359,164
Loans and advances, net	1,849,840	-	1,923,161	1,923,161
Other financial assets	3,906	-	3,906	3,906
Financial liabilities				
Deposit liabilities	2,264,133	-	2,246,735	2,246,735
Due to BSP and other banks	1,881	-	1,881	1,881
Bills payable and other borrowed funds	133,726	133,726	-	133,726
Manager's checks and demand drafts outstanding	8,431	-	8,431	8,431
Other financial liabilities	10,721	-	10,721	10,721
Non-financial assets				
Investment properties	58	-	463	463

Parent Bank (December 31, 2022)

	Carrying amount	Fair value		
		Level 1	Level 2	Total
(In Millions of Pesos)				
Financial assets				
Cash and other cash items	39,359	-	39,359	39,359
Due from BSP	178,534	-	178,534	178,534
Due from other banks	43,096	-	43,096	43,096
Interbank loans receivable and SPAR, net	11,631	-	11,631	11,631
Investment securities at amortized cost, net	415,035	386,717	-	386,717
Loans and advances, net	1,680,684	-	1,656,995	1,656,995
Other financial assets	2,794	-	2,794	2,794
Financial liabilities				
Deposit liabilities	2,082,584	-	1,844,254	1,844,254
Due to BSP and other banks	2,811	-	2,811	2,811
Bills payable and other borrowed funds	93,002	93,002	-	93,002
Manager's checks and demand drafts outstanding	6,751	-	6,751	6,751
Other financial liabilities	5,542	-	5,542	5,542
Non-financial assets				
Investment properties	64	-	227	227

26.5 Insurance risk management

The non-life insurance entities decide on the retention, or the absolute amount that they are ready to assume insurance risk from one event. The retention amount is a function of capital, experience, actuarial study and risk appetite or aversion.

In excess of the retention, these entities arrange reinsurances either thru treaties or facultative placements. They also accredit reinsurers based on certain criteria and set limits as to what can be reinsured. The reinsurance treaties and the accreditation of reinsurers require BOD's approval.

27 Capital management

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

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

Effective January 1, 2014, the BSP, through its Circular No. 781, requires each bank and its financial affiliated subsidiaries to adopt new capital requirements in accordance with the provisions of Basel III. The new guidelines are meant to strengthen the composition of the bank's capital by increasing the level of core capital and regulatory capital. The Circular sets out minimum Common Equity (CET1) ratio and Tier 1 Capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed. The minimum required capital adequacy ratio remains at 10% which includes the capital conservation buffer.

Information on the regulatory capital is summarized below:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Tier 1 capital	355,303	349,160	355,255	349,113
Tier 2 capital	18,792	16,929	18,414	16,634
Gross qualifying capital	374,095	366,089	373,669	365,747
Less: Regulatory adjustments/required deductions	31,359	63,351	55,040	86,177
Total qualifying capital	342,736	302,738	318,629	279,570
Risk weighted assets	2,118,317	1,890,562	2,058,301	1,835,412
CAR (%)	16.18	16.01	15.48	15.23
CET1 (%)	15.29	15.12	14.59	14.33

The BPI Group has fully complied with the CAR requirement of the BSP.

Likewise, regulatory capital structures of certain subsidiaries on a standalone basis are managed to meet the requirements of the relevant regulatory bodies (i.e. Insurance Commission (IC), SEC, PSE etc.). These subsidiaries have fully complied with the applicable regulatory capital requirements.

As part of the reforms of the PSE to expand capital market and improve transparency among listed firms, PSE requires listed entities to maintain a minimum of ten percent (10%) of their issued and outstanding shares, exclusive of any treasury shares, held by the public. The Parent Bank is likewise fully compliant with this requirement.

28 Commitments and contingencies

At present, there are lawsuits, claims and tax assessments pending against the BPI Group. In the opinion of management, after reviewing all actions and proceedings and court decisions with legal counsels, the aggregate liability or loss, if any, arising therefrom will not have a material effect on the BPI Group's financial position or financial performance.

BPI and some of its subsidiaries are defendants in legal actions arising from normal business activities. Management believes that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the financial statements.

In the normal course of business, the BPI Group makes various commitments that are not presented in the financial statements. The BPI Group does not anticipate any material losses from these commitments.

29 Subsequent event

BPI and RBC Merger

As the merger between the Parent Bank and RBC was agreed to be effective on the first day of the calendar quarter following the completion of the regulatory approval, the merger is effective January 1, 2024 (Note 30.3).

In line with this, the Parent Bank issued 314 million common shares on January 1, 2024 bringing the total issued and outstanding shares to 5.36 billion shares.

30 Other disclosures

30.1 BPI and BFB merger

On January 1, 2022, the merger of BPI and BFB, its wholly owned thrift bank subsidiary, officially took effect, with BPI as the surviving entity. The Parent Bank has secured all necessary approvals for the transaction from its regulatory agencies and shareholders.

The integration of both entities will provide considerable advantages to the customers and employees of BPI and BFB, and present potential synergies that will benefit shareholders. The accelerated shift to digital, the focus on operational efficiency and the expected reduction in the gap in regulatory reserve requirements between commercial banks and thrift banks were factors in the timing of the transaction.

Purchase consideration

On January 1, 2022, the Parent Bank issued common shares to BFB amounting to the net assets of the latter as reflected in the standalone financial statements as at December 31, 2020.

The Parent Bank, owning 100% of the shares of BFB, issued treasury shares as a consideration of the merger. The number of treasury shares issued was computed based on the net assets of BFB as of December 31, 2020 over the share price of the Parent Bank as of December 29, 2020. The details are as follows:

	Amount
	(In Thousands of Pesos, except share price and number of treasury shares)
Net assets of BFB as of December 31, 2020	
Total assets	287,090,333
Total liabilities	254,047,648
	33,042,685
Share price of BPI as of December 29, 2020	P81.35
Number of treasury shares issued	406,179,276

These treasury shares are expected to be sold or disposed of by the Parent Bank within six (6) months following the effective date of the merger in accordance with Chapter 3, Section 10 of the General Banking Law of 2000 (Republic Act 8791).

Net assets acquired

Details of BFB assets and liabilities as at acquisition date (January 1, 2022) and December 31, 2020 are as follows:

	January 1, 2022	December 31, 2020
	(In Thousands of Pesos)	
Assets acquired		
Cash and other cash items	982,150	1,004,339
Due from BSP	67,065,132	17,846,031
Due from other banks	10,152,692	4,935,660
Interbank loans receivable and securities purchased under agreements to resell	-	3,631,258
Financial assets at fair value through profit or loss	101,960	-
Financial assets at fair value through other comprehensive income	16,220,549	6,802,621
Investment securities at amortized cost, net	-	24,233,039
Loans and advances, net	228,649,520	219,636,857
Assets held for sale, net	2,639,361	2,452,159
Bank premises, furniture, fixtures and equipment, net	1,713,807	1,791,553
Deferred income tax assets	3,448,694	3,885,474
Other assets, net	686,981	871,342
	331,660,846	287,090,333
Liabilities assumed		
Deposit liabilities	274,766,919	234,582,648
Other borrowed funds	9,583,528	9,544,988
Manager's checks and demand drafts outstanding	1,676,663	1,644,409
Accrued taxes, interest and other expenses	1,698,772	1,734,264
Deferred credits and other liabilities	11,018,995	6,541,339
	298,744,877	254,047,648
Net assets	32,915,969	33,042,685

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill; Other reserves

As the transaction is outside the scope of PFRS 3, *Business Combinations*, the merger was accounted for using the pooling of interests method following the guidance under the PIC Q&A No. 2018-06. In applying the pooling of interests method, all assets and liabilities of BFB are taken into the merged business at their carrying values with no restatement of comparative 2020 figures. Likewise, no goodwill was recognized as a result of a business combination.

The difference between the carrying amount of the net assets acquired and the purchase consideration shall be an addition/deduction to the other reserves balance as follows:

	Amount
	(In Thousands of Pesos)
Purchase price	33,042,685
Carrying amount of net assets acquired	32,915,969
Other reserves (addition to capital funds)	126,716

i. Contingencies and commitments acquired

As a result of the merger, the Parent Bank acquired certain off-balance sheet items pertaining to undrawn loan commitments within the scope of PFRS 9. Details of such liabilities are as follows:

	Amount
	(In Thousands of Pesos)
Undrawn loan commitments	6,422,982
Loss allowance	(18,984)
Carrying amount	6,403,998

ii. Acquired receivables

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value is as follows:

	Amount
	(In Thousands of Pesos)
Corporate loans	
Large corporate customers	15,135,453
Small and medium enterprises	17,916,051
Retail loans	
Real estate mortgages	151,807,726
Auto loans	51,177,718
Credit cards	1,922,634
Others	174
	237,959,756
Accrued interest receivable	1,972,675
Unearned discount/income	(107,809)
	239,824,622
Allowance for impairment	(11,175,102)
Net carrying amount	228,649,520
Fair value	292,693,036

The details of the other receivables, net, which form part of Other assets, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount
	In Thousands of Pesos
Gross carrying amount	256,831
Allowance for impairment	(136,311)
Net carrying amount	120,520
Fair value	120,520

iii. Revenue and profit contribution

In accordance with the Plan of Merger between the Parent Bank and BFB, any net income earned by the latter from January 1, 2021 until the effective date shall be declared and paid as dividends to the Parent Bank. On December 29, 2021, the BOD of BFB declared cash dividends amounting to P3,532 million (P353 per share) out of its unrestricted surplus payable to the Parent Bank as at December 29, 2021. The remaining net income after dividend declaration amounting to P18 million formed part of Other reserves (Note 18) upon effectivity of the merger.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination shall form part of the net cash inflows from investing activities in the statement of cash flows for the period beginning January 1, 2022. The breakdown of cash and cash equivalents acquired are as follows:

	Amount
	(In Thousands of Pesos)
Cash and other cash items	982,150
Due from BSP	67,065,132
Due from other banks	10,152,692
	78,199,974

v. Acquisition-related costs

Acquisition-related costs of P121 million that were not directly attributable to the issue of shares are included in other operating expenses in the statement of income and in operating cash flows in the statement of cash flows for the period beginning January 1, 2021 until effectivity of the merger.

30.2 Regulatory treatment of restructured loans for purposes of measuring expected credit losses

On October 14, 2021, the Monetary Board approved the guidelines on restructured loans under BSP Memorandum No. M-2021-056 which shall be effective until December 31, 2022.

Key points of the issuance include:

- Establishment of prudent criteria in the assessment and modification of terms and conditions of loans.
- Classification under Stage 1, 2, or 3 shall be based on the assessment of the borrowers' financial difficulty and ability to pay based on revised terms.
- Restructured loans should not automatically be considered as credit-impaired warranting classification as non-performing. It will only be classified as such when it falls under Stage 3.
- Monitoring of list of restructured loans including risk classification, staging, and provisioning.

The Bank adopted the BSP guidelines also for prudential reporting purposes of its corporate and business banking loan portfolio beginning January 1, 2022. Following the reprieve requirements, the Bank implemented a process to identify and evaluate accounts that were qualified under the regulations and applied the necessary internal risk controls for qualified exposures from credit evaluation to credit monitoring and risk reporting. As at December 31, 2022, Modified Loans consist 0.01% of total corporate loan portfolio, while Restructured-Modified Loans consist 0.12% of the total corporate loan portfolio. As at December 31, 2022, there are no past due or non-performing loans which availed the reprieve under BSP M-2021-056.

30.3 BPI and RBC merger

On September 30, 2022, the BOD of BPI approved the merger of BPI and RBC, subject to shareholders and regulatory approvals. In exchange, BPI shall issue to the RBC shareholders such number of BPI common shares as would result to the RBC shareholders collectively holding approximately 6% of the resulting outstanding common stock of BPI as of the closing date but in no case more than 314,003,992 shares.

Subsequently, the BOD of BPI in its meeting on December 14, 2022 amended the previous resolution dated September 30, 2022 to increase the number of BPI common shares that may be issued to the RBC shareholders pursuant to the proposed merger from “in no case more than 314,003,992 primary common shares” to “in no case more than 318,912,309 primary common shares.”

On January 17, 2023, the shareholders of BPI approved the merger with BPI as the surviving bank. The Philippine Competition Commission approved the merger on March 9, 2023 as contained in the decision released by the Commission on September 13, 2023. On December 14, 2023, the BSP, through Monetary Board Resolution No. 1633 approved the merger. The SEC issued the Certificate of Filing of the Articles and Plan of Merger on December 29, 2023.

The merger will be effective on the first day of the calendar quarter following the completion of the regulatory approvals which is on January 1, 2024 and therefore, the December 31, 2023 and 2022 financial statements of the BPI Group do not include the financial information of RBC.

The merger with RBC will unlock various synergies across several products and service platforms and expand the customer and deposit base of both banks through the merged entity, and, at the same time, by capitalizing on BPI's expertise and network, enhance the overall banking experience of RBC customers. BPI will be able to expand its client base, accelerate growth, and ultimately increase shareholder value through partnerships with the Gokongwei Group.

Purchase consideration

On merger date, the Parent Bank issued common shares to RBC shareholders as consideration of the merger. The fair value of the 314,003,992 shares to be issued is based on the share price on December 31, 2023 of P103.80 per share.

Net assets acquired

Details of RBC assets and liabilities as at acquisition date (January 1, 2024) based on provisional amounts determined by management are as follows:

	Amount (In Thousands of Pesos)
Assets acquired	
Cash and other cash items	6,456,997
Due from BSP	12,406,617
Due from other banks	1,707,648
Interbank loans receivable and SPAR	5,491,857
Financial assets at FVTPL	24,191
Financial assets at FVOCI	7,098,491
Investment securities at amortized cost, net	26,391,007
Loans and advances, net	111,444,574
Investments in subsidiary and associates, net	903,663
Bank premises, furniture, fixtures and equipment, net	953,683
Investment properties	2,583,060
Branch licenses	380,510
Deferred tax asset, net	919,713
Other assets, net	2,685,605
Core deposits	6,935,408
Customer relationship	423,690
Trust business	9,684
Deferred tax asset - fair value (FV) adjustments	1,893,968
	188,710,366
Liabilities assumed	
Deposit liabilities	
Demand	27,640,996
Savings	91,837,208
Time	21,156,959
Long-term negotiable certificate of deposits	1,781,750
Derivative financial liabilities	24
Bills payable	14,951,631
Manager's checks	1,103,883
Accrued taxes, interest and other expenses	1,388,443
Other liabilities	4,137,608
Deferred tax liability - FV adjustments	627,291
	164,625,793
Net assets	24,084,573

The above assets and liabilities were acquired through a tax-free exchange as evidenced by the Plan of Merger.

Goodwill

The difference between the fair value of the net assets acquired, including intangible assets, and the purchase consideration shall be recognized as goodwill as follows:

	Amount (In Thousands of Pesos)
Purchase price	32,593,614
Fair value of net assets acquired	24,084,573
Goodwill	8,509,041

The goodwill is attributable to the workforce and the expected synergies from combining the operations of RBC with BPI. The amount of goodwill will not be deductible for tax purposes.

i. *Contingencies and commitments acquired*

As a result of the merger, the Parent Bank acquired certain off-balance sheet items as follows:

	Amount
	(In Thousands of Pesos)
Trust accounts*	37,630,184
Derivatives	10,606,025
Commitments	8,143,887
Spot foreign exchange contracts	3,884,410
Performance standby letters of credit	568,597
Financial standby letters of credit	77,065
Guarantees issued	42,424
Commercial letters of credit	36,612
Others	1,805,396
Carrying amount	62,794,600

*The trust accounts will be transferred to BPI Wealth effective January 1, 2024 in accordance with the Assignment Agreement between the Parent Bank and BPI Wealth.

ii. *Acquired receivables*

The details of the loans and advances, net, acquired as a result of the business combination and its related fair value are as follows:

	Amount
	(In Thousands of Pesos)
Receivables from customers	
Commercial	62,743,614
Real estate	36,235,122
Consumption	11,145,903
Credit cards	1,809,555
Domestic bills purchased	573,816
Other receivables	
Accrued interest receivable	1,433,010
Accounts receivable	1,670,012
Sales contract receivable	321,023
	115,932,055
Unearned interest and discounts	(70,408)
	115,861,647
Allowance for credit losses	(2,993,718)
Net carrying amount	112,867,929
Fair value	111,444,574

iii. *Revenue and profit contribution*

There is no revenue and profit contribution for the year ended December 31, 2023 as the merger will be effective on January 1, 2024.

iv. Cash flows as a result of the merger

Cash and cash equivalents acquired as a result of the business combination shall form part of the net cash inflows from investing activities in the statement of cash flows for the period beginning January 1, 2024. The breakdown of cash and cash equivalents acquired are as follows:

	Amount
	(In Thousands of Pesos)
Cash and other cash items	6,456,997
Due from BSP	12,406,617
Due from other banks	1,707,648
	20,571,262

v. Acquisition-related costs

Acquisition-related costs of P179 million that were not directly attributable to the issue of shares are included in other operating expenses in the statement of income and in operating cash flows in the statement of cash flows for the period beginning January 1, 2023 until effectivity of the merger.

31 Summary of material accounting policies

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

31.1 Basis of preparation

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

As allowed by the SEC, the pre-need subsidiary of the Parent Bank continues to follow the provisions of the Pre-Need Uniform Chart of Accounts (PNUCA) prescribed by the SEC and adopted by the IC.

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL, financial assets at FVOCI, and plan assets of the BPI Group's defined benefit plans.

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

Critical accounting estimates

- Fair value of derivatives and other financial instruments (Note 7)
- Useful lives of bank premises, furniture, fixtures and equipment (Note 11)
- Impairment of investments subsidiaries and associates (Note 12)
- Calculation of defined benefit obligation (Note 23)
- Measurement of expected credit losses for loans and advances (Note 26.1.4)

Critical accounting judgments

- Classification of investment securities at amortized cost (Note 9)
- Realization of deferred income tax assets (Note 13)
- Determining the lease term (Note 20)
- Determining the incremental borrowing rate (Note 20)

31.2 Changes in accounting policy and disclosures

(a) Amendments to existing standards adopted by the BPI Group

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

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

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

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

The adoption of these amendments resulted to changes in the accounting policies disclosure in Note 31 series.

(b) New standard not yet adopted by the BPI Group

The following new accounting standard is not mandatory for December 31, 2023 reporting period and has not been early adopted by the BPI Group:

- *PFRS 17, 'Insurance Contracts'*

PFRS 17 was issued in May 2017 as replacement for PFRS 4, Insurance Contracts. PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The IC, in coordination with Philippine Insurers and Reinsurers Association, is currently reviewing the impact of PFRS 17 across the entire industry and has established a project team to manage the implementation approach. The IC, considering the extension of IFRS 17 and the challenges of the COVID-19 pandemic to the insurance industry, has deferred the implementation of PFRS 17 to January 1, 2025, granting an additional two-year period from the date of effectivity proposed by the IASB. The BPI Group is assessing the quantitative impact of PFRS 17 as at reporting date.

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

31.3 Financial instruments

31.3.1 Measurement methods

Amortized cost and effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets - assets that are credit-impaired (see definition on Note 31.3.2.2) at initial recognition - the BPI Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. When the BPI Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.
- Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'Stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the BPI Group commits to purchase or sell the asset.

At initial recognition, the BPI Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, as described in Note 31.3.2.1 below, which results in the loss provision being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the BPI Group recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

31.3.2 Financial assets

31.3.2.1 Classification and subsequent measurement

The BPI Group classifies its financial assets in the following measurement categories: at FVTPL, FVOCI, and at amortized cost. The classification requirements for debt and equity instruments are described below:

Debt instruments

Classification and subsequent measurement of debt instruments depend on the BPI Group's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the BPI Group classifies its debt instruments into one of the following three measurement categories:

- *Amortized cost*

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at 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. The BPI Group's amortized cost financial assets include cash and other cash items, due from BSP, due from other banks, interbank loans receivables and SPAR, loans and advances, and other financial assets.

- *FVOCI*

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in the statements of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- *FVTPL*

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in profit or loss and presented in the statements of income within "Securities trading gain" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately.

Business model

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

Solely Payment of Principal and Interest

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

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

Equity instruments

The BPI Group subsequently measures all equity investments at FVTPL, except where the BPI Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The BPI Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as 'Other operating income' when the BPI Group's right to receive payments is established. Gains and losses on equity investments at FVTPL are included in the "Securities trading gain" in the statements of income.

31.3.2.2 Impairment of amortized cost and FVOCI financial assets

The BPI Group assesses impairment as follows:

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

Expected credit losses

The BPI Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments. The BPI Group recognizes a loss allowance for such losses including post-model adjustments, as applicable, at each reporting date. The measurement of ECL reflects:

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

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

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the BPI Group.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired. The BPI Group determines SICR based on prescribed benchmarks approved by the Board of the Directors.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with PFRS 9 is that it should consider forward-looking information both in the ECL models and post-model adjustments, as applicable.
- POCI financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3). The BPI Group has no POCI as at December 31, 2023 and December 31, 2022.

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

Determination of SICR

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

- substantial deterioration in credit quality as measured by the applicable internal or external ratings or credit score or the shift from investment grade category to non-investment grade category;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon the business or economic condition;
- the account has become past due beyond 30 days where an account is classified under special monitoring category (refer to Note 26.1.2 for the description of special monitoring); and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the BPI Group.

Measuring ECL - Inputs, assumptions and estimation techniques

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

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

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

- For amortizing products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
 - For committed credit lines, the EAD is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default.
- (c) LGD represents the BPI Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

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

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

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

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

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

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

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period from the time of the adoption of PFRS 9 on January 1, 2018 to the reporting date.

Forward-looking information incorporated in the ECL models

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

The estimation and application of forward-looking information requires significant judgment. As with any economic forecasts, the projections and likelihood of occurrences are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The scenarios and their attributes are reassessed at each reporting date. Information regarding the forward-looking economic variables and the relevant sensitivity analysis is disclosed in Note 26.

Financial assets with low credit risk

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

Definition of default and credit-impaired assets

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

Quantitative criteria

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

Qualitative criteria

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

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

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

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

31.3.3 Modification of loans

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

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

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

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

31.3.4 Derecognition of financial assets other than modification

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

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

Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

31.3.5 Write-off of financial assets

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

The BPI Group may write-off financial assets that are still subject to enforcement activity. The write-off of loans is approved by the BOD in compliance with the BSP requirements. Loans written-off are fully covered with allowance.

Recoveries on charged-off assets

Collections on accounts or recoveries from impaired financial assets previously written off are recognized in profit or loss under Miscellaneous income in the period where the recovery transaction occurs.

31.3.6 Financial liabilities

31.3.6.1 Classification of financial liabilities

The BPI Group classifies its financial liabilities in the following categories: financial liabilities at FVTPL and financial liabilities at amortized cost.

(a) Financial liabilities at FVTPL

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the BPI Group as at FVTPL upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the statements of income and are reported as "Securities trading gain". The BPI Group has no financial liabilities that are designated at fair value through profit loss.

(b) Other liabilities measured at amortized cost

Financial liabilities that are not classified as at FVTPL fall into this category and are measured at amortized cost. Financial liabilities measured at amortized cost include deposits from customers and banks, bills payable, amounts due to BSP and other banks, manager's checks and demand drafts outstanding, subordinated notes and other financial liabilities under deferred credits and other liabilities.

31.3.6.2 Subsequent measurement and derecognition

Financial liabilities at FVTPL are subsequently carried at fair value. Other liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are derecognized when they have been redeemed or otherwise extinguished (i.e. when the obligation is discharged or is cancelled or has expired). Collateral (shares and bonds) furnished by the BPI Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognized because the BPI Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

31.3.7 Loan commitments

Loan commitments are not issued at below-market interest rates and are not settled net in cash or by delivering or issuing another financial instrument.

31.3.8 Derivative financial instruments

A derivative instrument is initially recognized at fair value on the date a derivative contract is entered into, and is subsequently remeasured to its fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument or is held for trading.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting (and therefore, held for trading) are recognized immediately in profit or loss and are included in "Securities trading gain".

31.3.8.1 Embedded derivatives

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the BPI Group assesses the entire contract for classification and measurement in accordance with the policy outlined in Note 31.3.2 above. Otherwise, the embedded derivatives are treated as separate derivatives when:

- Their economic characteristics and risks are not closely related to those of the host contract;
- A separate instrument with the same terms would meet the definition of a derivative; and
- The hybrid contract is not measured at FVTPL.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statements of income unless the BPI Group chooses to designate the hybrid contracts at FVTPL.

31.3.9 Fair value measurement

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

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

A subsidiary of the Parent Bank has investments in non-marketable equity securities classified under Level 3 as at December 31, 2023 and 2022 (Note 26.4.1).

31.3.10 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized using the effective interest method.

When calculating the effective interest rate, the BPI Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

31.3.11 Cash and cash equivalents

Interbank loans receivable and securities purchased under agreements to resell (SPAR) are presented as cash equivalents if they have a maturity of three months or less and are readily convertible to known amount of cash and which are subject to insignificant changes in value.

31.3.12 Repurchase and reverse repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks and customers and included in the statement of condition under "Interbank loans receivable and securities purchased under agreements to resell". Securities lent to counterparties are also retained in the financial statements.

31.4 Consolidation

The subsidiaries' financial statements are prepared for the same reporting year as the consolidated financial statements. Refer to Note 1 for the list of the Parent Bank's subsidiaries.

(a) Subsidiaries

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the BPI Group, except for the pre-need subsidiary which follows the provisions of the PNUCA as allowed by the SEC.

(b) Associates

Associates are all entities over which the BPI Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the consolidated financial statements are accounted for using the equity method of accounting.

The BPI Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the BPI Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit (loss) of an associate' in profit or loss.

Unrealized gains on transactions between the BPI Group and its associates are eliminated to the extent of the BPI Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the BPI Group.

(c) Business combination between entities under common control

Business combinations under common control are accounted for using the pooling of interest method following the guidance under the PIC Q&A No. 2018-06. Under this method, the Parent Bank does not restate the acquired businesses or assets and liabilities to their fair values. The net assets of the combining entities or businesses are combined using the carrying amounts of assets and liabilities of the acquired entity. No amount is recognized in consideration for goodwill or the excess of acquirer's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination.

(d) Business combination under PFRS 3

The BPI Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the BPI Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any, and fair value of any pre-existing equity interest in the acquiree, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the BPI Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the BPI Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is not accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the BPI Group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Measurement period

The quantitative information disclosed in Note 30.3 are provisional amounts as at audit report date. PFRS 3 allows a one year measurement period for the acquirer to retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable.

31.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates in the Parent Bank's separate financial statements are accounted for using the cost method in accordance with PAS 27. Under this method, income from investment is recognized in profit or loss only to the extent that the investor receives distributions from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as reduction of the cost of the investment.

The Parent Bank recognizes a dividend from a subsidiary or associate in profit or loss in its separate financial statements when its right to receive the dividend is established.

The Parent Bank determines at each reporting date whether there is any indicator of impairment that the investment in the subsidiary or associate is impaired. If this is the case, the Parent Bank calculates the amount of impairment as the difference between the recoverable amount and carrying value and the difference is recognized in profit or loss.

Investments in subsidiaries and associates are derecognized upon disposal or when no future economic benefits are expected to be derived from the subsidiaries and associates at which time the cost and the related accumulated impairment loss are removed in the statements of condition. Any gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the investment and recognized in profit or loss.

31.6 Segment reporting

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated upon consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with PFRS 8, the BPI Group has the following main banking business segments: consumer banking, corporate banking and investment banking. Its insurance business is assessed separately from these banking business segments (Note 3).

31.7 Bank premises, furniture, fixtures and equipment

Land and buildings comprise mainly of branches and offices. All bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the BPI Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Construction-in-progress is initially recognized at cost and will be depreciated once completed and available for use. The cost of construction-in-progress includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items on the site on which it is located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalized as part of the cost of those assets during the construction period. The construction-in-progress is internally funded by the Parent Bank hence, no borrowing costs were capitalized. The construction-in-progress is recorded as part of Buildings and leasehold improvements.

Land is carried at historical cost and is not depreciated. Depreciation for buildings and furniture and equipment is calculated using the straight-line method to allocate cost or residual values over the estimated useful lives of the assets, as follows:

Building	25-50 years
Furniture and equipment	3-5 years
Equipment for lease	2-8 years

Leasehold improvements are depreciated over the shorter of the lease term (ranges from 5 to 10 years) and the useful life of the related improvement (ranges from 5 to 10 years). Major renovations are depreciated over the remaining useful life of the related asset.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. There are no bank premises, furniture, fixtures and equipment that are fully impaired as at December 31, 2023 and 2022.

31.8 Investment properties

Properties that are held either to earn rental income or for capital appreciation or both, and that are not significantly occupied by the BPI Group are classified as investment properties. Transfers to, and from, investment property are made when, and only when, there is a change in use, evidenced by:

- (a) Commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) Commencement of development with a view of sale, for a transfer from investment property to real properties held-for-sale and development;
- (c) End of owner occupation, for a transfer from owner-occupied property to investment property; or
- (d) Commencement of an operating lease to another party, for a transfer from real properties held-for-sale and development to investment property.

Transfers to and from investment property do not result in gain or loss.

Investment properties comprise land and building. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on investment property is determined using the same policy as applied to Bank premises, furniture, fixtures, and equipment. Impairment test is conducted when there is an indication that the carrying amount of the asset may not be recovered. An impairment loss is recognized for the amount by which the property's carrying amount exceeds its recoverable amount, which is the higher of the property's fair value less costs to sell and value in use.

An item of investment property is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gains and losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

31.9 Foreclosed assets

Assets foreclosed shown as Assets held for sale in the statements of condition are accounted for at the lower of cost and fair value less cost to sell similar to the principles of PFRS 5. The cost of assets foreclosed includes the carrying amount of the related loan. Impairment loss is recognized for any subsequent write-down of the asset to fair value less cost to sell.

Foreclosed assets not classified as Assets held for sale are accounted for in any of the following classification using the measurement basis appropriate to the asset as follows:

- (a) Investment property is accounted for using the cost model under PAS 40;
- (b) Bank-occupied property is accounted for using the cost model under PAS 16; and
- (c) Financial assets are accounted for under PFRS 9.

When foreclosed assets are recovered through a sale transaction, the gain or loss recognized from the difference between the carrying amount of the foreclosed asset disposed and the net disposal proceeds is recognized in profit or loss.

31.10 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the BPI Group's share in the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included under Other assets, net in the statements of condition. Goodwill on acquisitions of associates is included in Investments in subsidiaries and associates. Separately recognized goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary/associate include carrying amount of goodwill relating to the subsidiary/associate sold.

Goodwill is an indefinite-lived intangible asset and hence not subject to amortization.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each cash-generating unit is represented by each primary reporting segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships have finite useful lives of ten years and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship. Contractual customer relationships are included under Other assets, net in the statements of condition.

(c) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over the expected useful lives (three to five years). Computer software is included under Other assets, net in the statements of condition.

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the BPI Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other assets to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense when incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(d) Management contracts

Management contracts are recognized at fair value at the acquisition date. They have a finite useful life of five years and are subsequently carried at cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method over the estimated useful life of the contract. Management contracts are included under Other assets in the statement of condition.

31.11 Impairment of non-financial assets

Assets that have indefinite useful lives - for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment and more frequently if there are indicators of impairment. Assets that have definite useful lives are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

31.12 Borrowings and borrowing costs

The BPI Group's borrowings consist mainly of bills payable and other borrowed funds. Borrowings are recognized initially at fair value, which is the issue proceeds, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of the asset. All other borrowing costs are expensed as incurred. The BPI Group has no qualifying asset as at December 31, 2023 and 2022. Borrowings derecognized when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the Statements of Income as other income.

31.13 Fees and commission income

The BPI Group has applied PFRS 15 where revenue is recognized when (or as) The BPI Group satisfies a performance obligation by transferring a promised good or service to a customer (i.e. an asset). An asset is transferred when (or as) the customer obtains control of that asset.

The recognition of revenue can be either over time or at a point in time depending on when the performance obligation is satisfied.

When control of a good or service is transferred over time, that is, when the customer simultaneously receives and consumes the benefits, the BPI Group satisfies the performance obligation and recognizes revenue over time. Otherwise, revenue is recognized at the point in time at the point of transfer control of the good or service to the customer.

Variable consideration is measured using either the expected value method or the most likely amount method depending on which method the BPI Group expects to better predict the amount of consideration to which it will be entitled. This is the estimated amount of variable consideration, or the portion, if any, of that amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Where there is a single performance obligation, the transaction price is allocated in its entirety to that performance obligation. Where there are multiple performance obligations, the transaction price is allocated to the performance obligation to which it relates based on stand-alone selling prices.

The BPI Group recognizes revenue based on the price specified in the contract, net of the estimated rebates/discounts and include variable consideration, if there is any. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The BPI Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the BPI Group does not adjust any of the transaction prices for the time value of money.

Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party (i.e. the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses) are recognized on completion of underlying transactions. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-proportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided.

31.14 Credit card income

Credit card arrangements involve numerous contracts between various parties. The BPI Group has determined that the more significant contracts within the scope of PFRS 15 are (1) the contract between the BPI Group and the credit card holder ('Cardholder Agreement') under which the BPI Group earn miscellaneous fees (e.g., annual membership fees, late payment fees, foreign exchange fees, etc.) and (2) an implied contract between the BPI Group and merchants who accept the credit cards in connection with the purchase of their goods and/or services ('Merchant Agreement') under which the BPI Group earn interchange fees.

The Cardholder Agreement obligates the BPI Group, as the card issuer, to perform activities such as process redemption of loyalty points by providing goods, services, or other benefits to the cardholder; provide ancillary services such as concierge services, travel insurance, airport lounge access and the like; process late payments; provide foreign exchange services and others. The amount of fees stated in the contract represents the transaction price for that performance obligation.

The implied contract between the BPI Group and the merchant results in the BPI Group receiving an interchange fee from the merchant. The interchange fee represents the transaction price associated with the implied contract between the BPI Group and the merchant because it represents the amount of consideration to which the BPI Group expects to be entitled in exchange for transferring the promised service (i.e., purchase approval and payment remittance) to the merchant. The performance obligation associated with the implied contract between the BPI Group and the merchant is satisfied upon performance and simultaneous consumption by the customer of the underlying service. Therefore, a portion of the interchange fee is allocated to the performance obligations based on stand-alone transaction price and revenue is recognized when these performance obligations are satisfied.

31.15 Foreign currency translation

(a) Functional and presentation currency

Items in the financial statements of each entity in the BPI Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Parent Bank's functional and presentation currency.

(b) *Foreign subsidiaries*

The results and financial position of BPI's foreign subsidiaries (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at reporting date;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component (Currency translation differences) of Accumulated other comprehensive income (loss) in the capital funds. When a foreign operation is sold, such exchange differences are recognized in profit or loss as part of the gain or loss on sale.

(c) *Income from foreign exchange trading*

Foreign exchange gains and losses arising from trading of foreign currencies are recorded under "Income from foreign exchange trading" in the statement of income. Gains or losses are calculated as the difference between the carrying amount of the asset sold and the net disposal proceeds at the date of sale.

31.16 Provisions for legal or contractual obligations

Provisions are recognized when all of the following conditions are met: (i) the BPI Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item is included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

31.17 Income taxes

(a) *Current income tax*

Income tax payable is calculated on the basis of the applicable tax law in the respective jurisdiction.

The BPI Group has substantial income from its investment in government securities subject to final withholding tax. Such income is presented at its gross amount and the final tax paid or withheld is included in Income tax expense - Current.

(b) *Deferred income tax*

The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

The BPI Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

31.18 Employee benefits

(a) Short-term benefits

The BPI Group recognizes a liability net of amount already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses, and non-monetary benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Defined benefit retirement plan

The BPI Group has a defined benefit plan that shares risks among entities within the group. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of condition in respect of defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Defined benefit costs comprise of service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when the plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as interest income or expense in the statement of income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For individual financial reporting purposes, the unified plan assets are allocated among the BPI Group entities based on the level of the defined benefit obligation attributable to each entity to arrive at the net liability or asset that should be recognized in the individual financial statements.

(c) Defined contribution retirement plan

The BPI Group also maintains a defined contribution plan that covers certain full-time employees. Under its defined contribution plan, the BPI Group pays fixed contributions based on the employees' monthly salaries. The BPI Group, however, is covered under RA No. 7641, otherwise known as The Philippine Retirement Pay Law, which provides for its qualified employees a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641. Accordingly, the BPI Group accounts for its retirement obligation under the higher of the defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The BPI Group and Parent Bank determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) then, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest and other expenses related to the defined benefit plan are recognized in the statement of income.

The defined contribution liability is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

Actuarial gains and losses arising from the remeasurements of the net defined contribution liability are recognized immediately in the other comprehensive income.

(d) Share-based compensation

The BPI Group engages in equity-settled share-based payment transactions in respect of services received from certain employees.

The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of employee services received in respect of the shares or share options granted is recognized in profit or loss (with a corresponding increase in reserve in capital funds) over the period that the services are received, which is the vesting period.

The fair value of the options granted is determined using option pricing models which take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors.

When the stock options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to share capital (par value) and share premium for the excess of exercise price over par value.

(e) Bonus plans

The BPI Group recognizes a liability and an expense for bonuses and recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

31.19 Capital funds

Treasury shares

Except for dividends to be settled through BPI's own shares which are recognized in equity, dividends on common shares are recognized as a liability in the BPI Group's financial statements in the period in which the dividends are approved by the BOD.

Cash dividends are measured based on the amount declared by the BPI Group. Treasury shares declared as dividends are measured at its fair value at the time of declaration. Any costs attributable to the distribution of treasury shares are deducted from fair value and recognized within equity.

Merger reserves

Merger reserves represent the difference between the value of shares issued by the Parent Bank in exchange for the value of the shares acquired in respect of the acquisition of BFB accounted for under the pooling-of-interest method and the difference between the results of operations of BFB during the year ended December 31, 2021 and the dividends declared on December 29, 2021.

31.20 Fiduciary activities

The BPI Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the BPI Group (Note 24).

31.21 Leases

31.21.1 BPI Group is the lessee

Measurement of lease liabilities

Lease payments to be made under reasonably certain extension options are included in the measurement of the lease liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the BPI Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the BPI Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

Measurement of right-of-use assets

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the BPI Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the BPI Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Lease modification

Lease modifications are accounted either as a separate lease or not a separate lease. The BPI Group accounts for the lease modification as a separate lease if both:

- the modification increases the scope of the lease by adding the right of use to one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For lease modification that is not accounted for a separate lease, at the effective date of lease modification, the BPI Group:

- allocates the consideration in the modified contract on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components;
- determine the lease term of the modified lease; and
- remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the BPI Group accounts for the remeasurement of the lease liability by:

- decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease; and
- making a corresponding adjustment to the right-of-use asset for all other lease modifications.

The BPI Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statements of income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

31.21.2 BPI Group is the lessor

BPI Group (as a lessor) continues to classify its leases as operating leases.

31.22 Insurance and pre-need operations

(a) Non-life insurance

The more significant accounting policies observed by the non-life insurance subsidiaries follow: (a) gross premiums written from short-term insurance contracts are recognized at the inception date of the risks underwritten and are earned over the period of cover in accordance with the incidence of risk using the 24th method; (b) acquisition costs are deferred and charged to expense in proportion to the premium revenue recognized; reinsurance commissions are deferred and deducted from the applicable deferred acquisition costs, subject to the same amortization method as the related acquisition costs; (c) a liability adequacy test is performed which compares the subsidiaries' reported insurance contract liabilities against current best estimates of all contractual future cash flows and claims handling, and policy administration expenses as well as investment income backing up such liabilities, with any deficiency immediately charged to profit or loss; and (d) financial assets and liabilities are measured following the classification and valuation provisions of PFRS 9.

(b) *Pre-need*

The material provisions of the PNUCA as applied by the pre-need subsidiary follow: (a) costs of contracts issued and other direct costs and expenses are recognized as expense when incurred; (b) pre-need reserves which represent the accrued net liabilities of the subsidiary to its plan holders are actuarially computed based on standards and guidelines set forth by the Insurance Commission; the increase or decrease in the account is charged or credited to other costs of contracts issued in profit or loss; and (c) insurance premium reserves which represent the amount that must be set aside by the subsidiary to pay for premiums for insurance coverage of fully paid plan holders, are actuarially computed based on standards and guidelines set forth by the Insurance Commission.

32 Supplementary information required under BSP Circular No. 1074

Presented below are the additional information required by BSP Circular No. 1074 issued on January 8, 2020. This information is presented for BSP reporting purposes and is not required in the basic financial statements.

(i) *Basic Quantitative Indicators of Financial Performance*

The key financial performance indicators follow (in %):

	Consolidated		Parent	
	2023	2022	2023	2022
Return on average equity				
- Daily average ¹	15.35	13.14	15.71	13.02
- Simple average ²	15.22	12.88	15.76	13.64
Return on average assets				
- Daily average ³	1.93	1.59	1.91	1.52
- Simple average ⁴	1.88	1.58	1.87	1.61
Net interest margin				
- Daily average ⁵	4.09	3.59	3.93	3.47
- Simple average ⁶	3.98	3.55	3.82	3.68

¹Net 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, 2023 and 2022.

²Net income divided by average total equity for the period indicated. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2023 and 2022.

³Net 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, 2023 and 2022.

⁴Net income divided by average total assets as at period indicated. Average total assets are based on the year-on-year balance of total assets as at December 31, 2023 and 2022.

⁵Net 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, 2023 and 2022.

⁶Net interest income divided by average interest-earning assets. Average interest earning assets is based on the year-on-year balance of interest earning assets as at December 31, 2023 and 2022.

(ii) *Description of Capital Instrument Issued*

BPI considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2023 and 2022.

Significant credit exposures

Details of the loans and advances portfolio as to concentration per industry/economic sector over total loan portfolio (in %) as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
Real estate, renting and other related activities	23.12	22.98	23.48	15.88
Manufacturing	15.47	16.39	15.70	19.21
Consumer	11.44	9.21	10.62	6.21
Transportation, storage and communications	11.33	10.74	11.48	11.04
Wholesale and retail trade	11.20	10.42	11.01	11.98
Financial institutions	9.70	9.26	9.85	10.88
Electricity, gas, steam and air-conditioning supply	9.18	11.85	9.34	12.01
Agriculture and forestry	1.73	1.91	1.75	2.23
Others	6.83	7.24	6.77	10.56
	100.00	100.00	100.00	100.00

Details of the loans and advances portfolio as to concentration per industry/economic sector over Tier 1 Capital (in %) as at December 31 are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
Real estate, renting and other related activities	138.44	115.90	148.97	67.71
Manufacturing	92.63	82.63	99.62	81.88
Consumer	68.48	46.44	67.37	26.48
Transportation, storage and communications	67.87	55.34	72.85	54.94
Wholesale and retail trade	67.07	52.56	69.83	51.07
Financial institutions	58.09	46.69	62.49	46.40
Electricity, gas, steam and air-conditioning supply	54.93	59.76	59.25	59.76
Agriculture and forestry	10.36	9.63	11.11	9.51
Others	40.84	35.32	43.00	31.85

Breakdown of total loans

Details of the loans and advances portfolio as at December 31 as to collateral (amounts net of unearned discounts and exclusive of accrued interest receivable) are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
(In Millions of Pesos)				
Secured loans				
Real estate mortgage	304,090	281,974	302,870	280,633
Project assets	138,915	143,541	138,915	143,541
Chattel mortgage	75,028	60,287	75,028	60,287
Others	25,912	39,698	25,757	38,944
	543,945	525,500	542,570	523,405
Unsecured loans	1,382,593	1,224,068	1,350,313	1,202,678
	1,926,538	1,749,568	1,892,883	1,726,083

Others represent loans secured mainly by hold-out deposits, mortgage trust indentures, government and corporate securities and bonds, quedan/warehouse receipts, standby letters of credit, trust receipts, and deposit substitutes.

Breakdown of performing and non-performing loans net of allowance for credit losses, as reported to the BSP, are as follows:

Consolidated

	2023			2022		
	Performing	Non-performing	Total	Performing	Non-performing	Total
(In Millions of Pesos)						
Corporate loans	1,483,876	16,662	1,500,538	1,385,660	14,502	1,400,162
Credit cards	124,606	5,107	129,713	90,515	2,970	93,485
Other retail loans	282,627	13,666	296,293	242,496	13,407	255,903
	1,891,109	35,435	1,926,544	1,718,671	30,879	1,749,550
Allowance for probable losses	(11,154)	(22,726)	(33,880)	(6,934)	(21,415)	(28,349)
Net carrying amount	1,879,955	12,709	1,892,664	1,711,737	9,464	1,721,201

**Amounts exclude accrued interest receivables and GLLP*

Parent

	2023			2022		
	Performing	Non-performing	Total	Performing	Non-performing	Total
	(In Millions of Pesos)					
Corporate loans	1,483,636	16,635	1,500,271	1,385,211	14,428	1,399,639
Credit cards	124,606	5,107	129,713	90,515	2,970	93,485
Other retail loans	251,171	11,735	262,906	220,904	12,038	232,942
	1,859,413	33,477	1,892,890	1,696,630	29,436	1,726,066
Allowance for probable losses	(11,336)	(21,280)	(32,616)	(7,116)	(20,359)	(27,475)
Net carrying amount	1,848,077	12,197	1,860,274	1,689,514	9,077	1,698,591

*Amounts exclude accrued interest receivables and GLLP

BSP Circular 941, *Amendments to Regulations on Past Due and Non-Performing Loans*, states that loans, investments, receivables, or any financial asset shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and if there is an evidence that full repayment of principal and interest is unlikely without foreclosure of collateral. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than ninety (90) days from contractual due date, or accrued interests for more than ninety (90) days have been capitalized, refinanced, or delayed by agreement.

Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after they have become past due.

Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

(iii) Information on Related Party Loans

Details of related party loans are as follows (transactions with subsidiaries have been eliminated in the consolidated financial statements):

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Loans and advances from:				
Subsidiaries	-	-	87	34
Associates	113	42	113	42
Ayala Group	61,567	64,654	61,567	64,654
Other related parties	-	-	-	-
	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	61,680	64,696	61,767	64,730
% to total outstanding related party loans				
Subsidiaries	-	-	0.14	0.05
Associates	0.18	0.06	0.18	0.06
Ayala Group	99.82	99.94	99.68	99.89
Other related parties	-	-	-	-

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos, except percentages)			
Total outstanding loans and advances	61,680	64,696	61,767	64,730
% to total outstanding related party loans				
Unsecured related party loans	8.82	63.77	8.81	63.74
Past due related party loans	-	-	-	-
Non-performing related party loans	-	-	-	-

Details of DOSRI loans are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Outstanding DOSRI loans	18,701	19,571	18,701	19,571

	Consolidated		Parent	
	2023	2022	2023	2022
	(In percentages)			
% to total outstanding loans and advances	0.97	1.12	0.99	1.13
% to total outstanding DOSRI loans				
Unsecured DOSRI loans	2.30	2.40	2.30	2.40
Past due DOSRI loans	0.04	0.02	0.04	0.02
Non-performing DOSRI loans	0.02	0.03	0.02	0.03

The BPI Group is in full compliance with the General Banking Act and the BSP regulations on DOSRI loans as at December 31, 2023 and 2022.

(iv) Secured Liabilities and Assets Pledged as Security

The BPI Group's Bills payable (Note 16) include mainly funds borrowed from various banking institutions which were lent out to customers of the BPI Group. As at December 31, 2023 and 2022, part of the bills payable of the Parent Bank is secured by government securities classified as investment securities at amortized cost (Note 9).

Contingencies and commitments arising from off-balance sheet items

The following is a summary of BPI's contingencies and commitments at their equivalent peso amounts as reported to the BSP:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Trust accounts	1,223,096	875,063	-	-
Derivatives	319,337	422,807	314,881	413,679
Commitments	186,611	148,935	186,611	148,935
Financial standby letters of credit - foreign	30,472	28,960	30,472	28,960
Bills for collection	22,923	23,470	22,923	23,470
Commercial letters of credit	11,322	14,142	11,322	14,142
Performance standby letters of credit - foreign	10,898	6,045	10,898	6,045
Spot foreign exchange contracts	7,310	13,264	7,310	13,264
Guarantees issued	2,521	2,774	2,521	2,774
Trade related guarantees	1,208	5,203	1,208	5,203
Other contingent accounts	39,712	160,435	39,618	11,536
	1,855,410	1,701,098	627,764	668,008

Other contingent accounts pertain to late deposits or payments received, deficiency claims receivable, items held for safekeeping, and items held as collateral.

Significant credit risk exposures arising from off-balance sheet items are as follows:

	Consolidated		Parent	
	2023	2022	2023	2022
	(In Millions of Pesos)			
Undrawn loan commitments	504,918	1,143,705	504,918	1,143,705
Unused letters of credit	55,808	57,148	55,808	57,148
Gross carrying amount	560,726	1,200,853	560,726	1,200,853
Loss allowance	(1,232)	(1,034)	(1,232)	(1,034)
Carrying amount	559,494	1,199,819	559,494	1,199,819

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment, the BPI Group is required to provide a loan with pre-specified terms to the customer. These off-balance sheet items are within the scope of PFRS 9 where the BPI Group estimates that the expected portion of the undrawn loan commitments that will be drawn over their expected life. The ECL related to the off-balance sheet items is recognized in "Miscellaneous liabilities" (Note 17).

The BPI Group has no other off-balance sheet items other than the items listed above.

33 Supplementary information required by the Bureau of Internal Revenue

On December 28, 2010, Revenue Regulations (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRSs.

Below is the additional information required by RR No. 15-2010 that is relevant to the Parent Bank. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

(i) Documentary stamp tax

Documentary stamp taxes paid through the Electronic Documentary Stamp Tax System for the year ended December 31, 2023 consist of:

	Amount (In Millions of Pesos)
Deposit and loan documents	10,685
Trade finance documents	846
Mortgage documents	500
Shares of stocks	3
Others	4
	12,038

(ii) Withholding taxes

Withholding taxes paid/accrued and/or withheld for the year ended December 31, 2023 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Income taxes withheld on compensation	2,829	338	3,167
Withholding tax on withdrawal from decedent's account	19	1	20
Final income taxes withheld on interest on deposits and yield on deposit substitutes	5,013	589	5,602
Final income taxes withheld on income payment	2,610	399	3,009
Creditable income taxes withheld (expanded)	727	103	830
Fringe benefit tax	87	31	118
Withholding value-added tax	56	10	66
	11,341	1,471	12,812

(iii) All other local and national taxes

All other local and national taxes paid/accrued for the year ended December 31, 2023 consist of:

	Amount		
	Paid	Accrued	Total
	(In Millions of Pesos)		
Gross receipts tax	6,661	750	7,411
Real property tax	153	-	153
Municipal taxes	338	-	338
Others	100	-	100
	7,252	750	8,002

Local and national taxes imposed by the government which are incurred under the normal courses of business are part of "Taxes and Licenses" within Other Operating Expense (Note 21).

(iv) Tax cases and assessments

As at reporting date, the Parent Bank has various claims of tax refund pending with tax authorities. There are no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

Bank of the Philippine Islands
Financial Indicators
As at December 31, 2023 and 2022

Ratio	Formula (in Millions of Pesos, except ratios)	Current year	Prior year
		in percentage	
Liquidity ratio	Total current assets divided by total current liabilities		
	Total current assets 1,343,380	58.53	59.25
	Divided by: Total deposits 2,295,106		
	Liquidity ratio 0.5853		
Debt-to-equity ratio	Total liabilities (Bills payable and Bonds payable) divided by total equity		
	Total liabilities (Bills payable and Bonds payable) 137,104	38.38	30.69
	Divided by: Total equity 357,204		
	Debt-to-equity ratio 0.3838		
Asset-to-equity ratio	Total assets divided by total equity		
	Total assets 2,888,372	808.61	819.57
	Divided by: Total equity 357,204		
	Asset-to-equity ratio 8.0861		
Interest rate coverage ratio	Earnings before interest expense, income taxes, depreciation, and amortization		
	EBITDA 113,048	274.24	412.13
	Divided by: Total interest expense 41,222		
	Interest rate coverage ratio 2.7424		
Return on equity	Net income divided by daily average equity		
	Net income 51,687	15.35	13.14
	Divided by: Daily average equity 336,806		
	Return on equity 0.1535		
Return on assets	Net income divided by daily average assets		
	Net income 51,687	1.93	1.59
	Divided by: Daily average assets 2,683,583		
	Return on assets 0.0193		

Net interest margin (NIM)	Net interest income (return on investment less interest expense) divided by daily average net interest bearing assets		
	Net interest income 104,350	4.09	3.59
	Divided by: Daily average Net Interest Bearing Assets 2,551,920		
	NIM 0.0409		
Other ratios:			
Average assets to average equity	Daily average assets divided by daily average equity		
	Daily average assets 2,683,583	796.78	826.91
	Divided by: Daily average equity 336,806		
	Average assets to average equity 7.9678		
Net interest to average assets (NRFF)	Net interest income divided by daily average assets		
	Net interest income 104,350	3.89	3.41
	Divided by: Daily average assets 2,683,583		
	NRFF 0.0389		
Cost to income ratio	Total operating expense divided by total income (Net interest income and Other income)		
	Total operating expense 69,110	49.96	48.93
	Divided by: Total income (Net Interest income and Other income) 138,321		
	Cost to income ratio 0.4996		
Cost to asset ratio	Total operating expense divided by daily average assets		
	Total operating expense 69,110	2.58	2.33
	Divided by: Daily average assets 2,683,583		
	Cost to asset ratio 0.0258		
Capital to assets ratio	Total equity divided by total assets		
	Total equity 357,204	12.37	12.20
	Divided by: Total assets 2,888,372		
	Capital to assets ratio 0.1237		

Bank of the Philippine Islands
Ayala Triangle Gardens Tower 2
Paseo De Roxas corner Makati Ave., Bel-Air
Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2023
(in Millions of Pesos)

Unappropriated retained earnings, beginning of the year		121,432
Add: Category A: Items that are directly credited to		
Unappropriated retained earnings		
Reversal of Retained earnings appropriation/s	-	
Effect of restatements or prior-period adjustments	-	
Others (Realized Gain on Sale of FVOCI equity securities)	415	415
		121,847
Less: Category B: Items that are directly debited to		
Unappropriated retained earnings		
Dividend declaration during the reporting period	58,298	
Retained earnings appropriated during the reporting period	-	
Effect of restatements or prior-period adjustments	-	
Others (describe nature)	-	58,298
Unappropriated retained earnings, as adjusted		63,549
Add/Less: Net Income (loss) for the current year		50,053
Less: Category C.1: Unrealized income recognized in the profit or loss during the year (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	-	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	557	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	123	
Unrealized fair value gain of investment property	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	680
		49,373

(continued)

Bank of the Philippine Islands**Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2023

Page 2

Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	-	
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	-	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	-	
Realized fair value gain of Investment property	-	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	-	-
		49,373
Add: Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)	-	
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	1,647	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	1,422	
Reversal of previously recorded fair value gain of investment property	-	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded (describe nature)	-	3,069
Adjusted net income/loss		52,442
Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)	-	-
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief	-	
Total amount of reporting relief granted during the year	-	
Others (describe nature)	-	-
		-

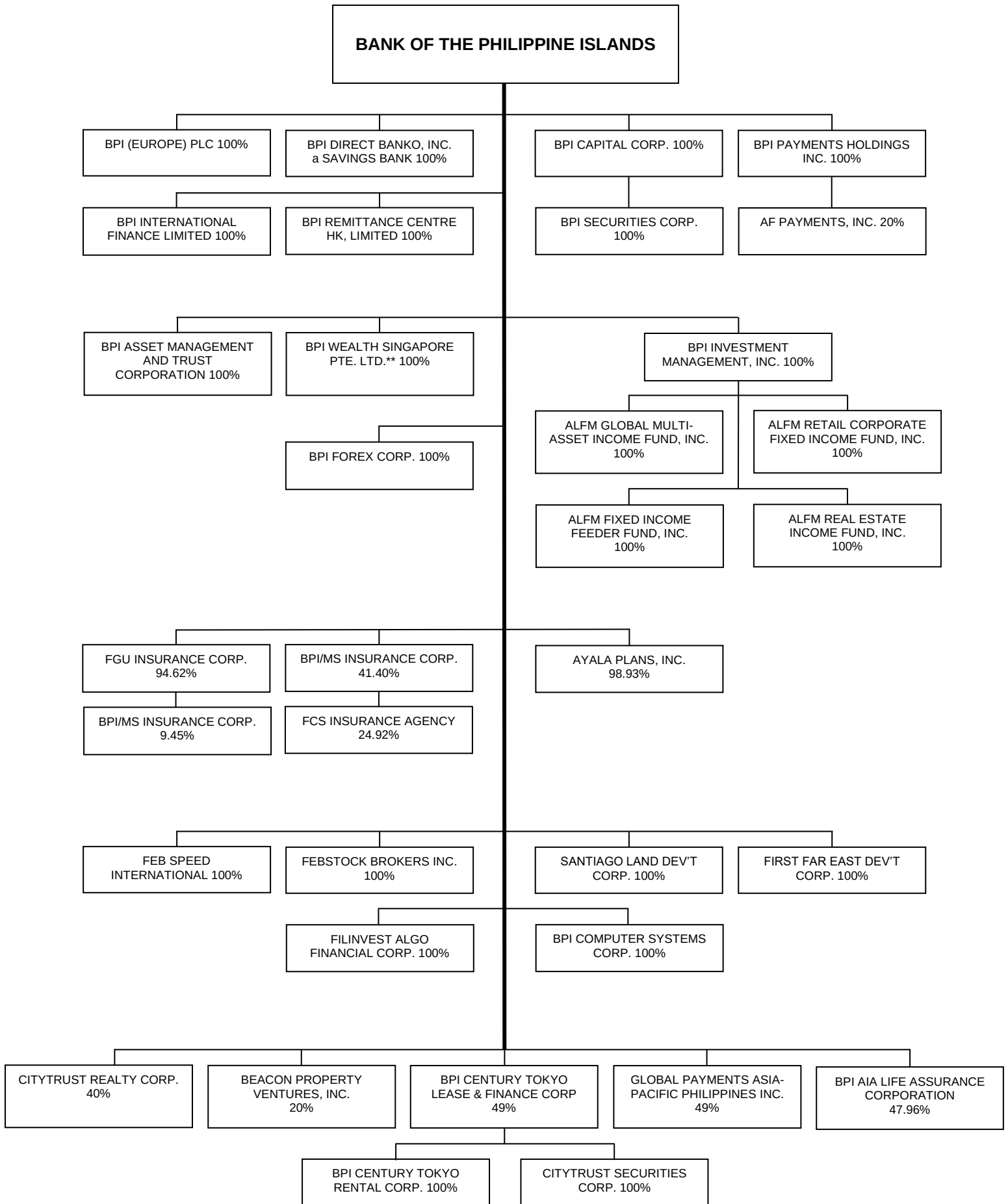
(continued)

Bank of the Philippine Islands**Reconciliation of Retained Earnings Available for Dividend Declaration**

For the year ended December 31, 2023

Page 3

Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	33,043	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	-	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	-	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	-	
Others	-	33,043
Total retained earnings, end of the year available for dividend declaration		149,034



*Updated as of March 5, 2024

** Incorporated on June 20, 2023 with the Accounting and Corporate Regulatory Authority of Singapore; with Capital Market Services license application still pending approval by the Monetary Authority of Singapore

BANK OF THE PHILIPPINE ISLANDS**December 31, 2023**

(in Millions of Pesos)

Schedule A - Financial Assets

	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Due from Bangko Sentral ng Pilipinas		199,619	
Due from other banks		36,292	
Interbank loans receivable and Securities purchase under agreements to resell		20,643	
Subtotal		256,554	2,935
Financial assets at fair value through profit or loss- Trading securities (*)		19,852	883
Financial assets at fair value through profit or loss- Derivative financial assets		3,802	
Subtotal		23,654	
Financial assets at fair value through other comprehensive income (FVOCI) (*)		218,654	6,176
Investment securities at amortized cost (*)		382,711	14,678
Loans and advances, net		1,882,007	120,900
Others		2,523	-
TOTAL		2,766,103	145,572

(*) Please refer succeeding pages for the detailed information on these financial assets.

BANK OF THE PHILIPPINE ISLANDS

December 31, 2023

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Non-current	Balance at end of period
Nothing to report. Transactions with these parties are made under the normal course of business.							

BANK OF THE PHILIPPINE ISLANDS**December 31, 2023**

(in Millions of Pesos)

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at end of period
BANK OF THE PHILIPPINE ISLANDS	3	-	3	-	-	-	-
BPI DIRECT BANKO, INC.	768	757	-	-	1,525	-	1,525
BPI CAPITAL CORP.	8	-	-	-	8	-	8
BPI INVESTMENT MANAGEMENT, INC.	2	5	-	-	7	-	7
BPI SECURITIES CORP.	97	18	-	-	115	-	115
BPI CENTURY TOKYO RENTAL CORP.	1	-	1	-	-	-	-
BPI ASSET MANAGEMENT AND TRUST CORP.	45	-	15	-	30	-	30
BPI/MS INSURANCE CORPORATION	5	1	-	-	6	-	6
	929	781	19	-	1,691	-	1,691

BANK OF THE PHILIPPINE ISLANDS

December 31, 2023

(in Millions of Pesos)

Schedule D - Long-term Debt

Title of issue and type of obligation	Amount authorized by indenture (Original currency)	Amount shown under caption "Current portion of long-term debt" in related balance sheet (in PHP)	Amount shown under caption "Long-term debt" in related balance sheet (in PHP)	Terms of long-term debts
Parent Bank				
Bonds payable	PHP 27,000	27,000	-	Int Rate : 2.81% Frequency of Payment: Quarterly Maturity Date : 01/31/2024 Face Value : PHP 27,000,000,000
Bonds payable	PHP 20,236	20,236	-	Int Rate : 5.75% Frequency of Payment: Quarterly Maturity Date : 07/30/2024 Face Value : PHP 20,300,000,000
Bonds payable	USD 300	16,594	-	Int Rate : 2.50% Frequency of Payment: Semi - Annual Maturity Date : 09/10/2024 Face Value : USD 300,000,000
Bonds payable	PHP 36,371	-	36,371	Int Rate : 6.43% Frequency of Payment: Quarterly Maturity Date : 05/13/2025 Face Value : PHP 36,660,800,000
Bonds payable	USD 250	-	13,824	Int Rate : 6.42% Frequency of Payment: Semi - Annual Maturity Date : 08/25/2026 Face Value : USD 250,000,000
Bills payable	USD 298	-	16,494	Int Rate : 6.33% Frequency of Payment: Quarterly Maturity Date : 08/24/2026 Face Value : USD 300,000,000
Bills payable		3,207	-	Various
SUB-TOTAL		67,037	66,689	133,726
BPI Europe				
Bills payable		2,824	554	Various
TOTAL		69,861	67,243	137,104

BANK OF THE PHILIPPINE ISLANDS
December 31, 2023

Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end period
Nothing to report.		

BANK OF THE PHILIPPINE ISLANDS

December 31, 2023

Schedule F - Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
Nothing to report.				

BANK OF THE PHILIPPINE ISLANDS

December 31, 2023

Schedule G - Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights *	Number of shares held by related parties	Directors, officers and employees	Others
Common Shares	5,400,000,000	4,945,197,291	5,966,559	2,338,395,880	68,252,333	2,538,549,078
Preferred A Shares	60,000,000	-	-	-	-	-

** Shares granted but not yet exercised*