BANK OF MAKATI
BMI
A Savings Bank
since 1956

66 Years of Reliable Banking and Trusted Partnership

2022 ANNUAL REPORT

malalapitan, maaasahang kaibigan

www.bankofmakati.com.ph

66 Years of Reliable Banking and Trusted Partnership

Bank of Makati Inc. (BMI) for the past 66 years have worked on creating and establishing a reputation for reliability, integrity, and excellence in managing the personal and business financial assets of every Filipino. By focusing on delivering value and meeting customers' expectations, BMI built trust and confidence among its Clients and Partners, differentiate itself from competitors, and achieve long-term growth and profitability.

The Bank fostered its Client loyalty and long-term Business partnerships through accessible products, consistent and simplified services, proactive communication, and positive customer experiences.

It is BMI Management's thrust to continuously promote innovation and process improvements, drive customer journey optimization for both online and offline channels, and empower frontline employees with customer-centric training and tools. With these strategies in place, the Bank would be able to attract new customers while retaining and elevating the satisfaction of those who have already chosen to be its "Kaibigan."

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About the Bank

Bank of Makati Inc. (BMI) was originally founded as a rural bank in July 1956. Since then, it has helped countless Filipino savers and entrepreneurs achieve their financial goals. After forty-five years of operations, last October 2001, the bank gained stronger industry foothold with bigger capitalization through its new shareholders and management.

In 2006, it was listed as the first rural bank to be part of the Top 1,000 Corporations in the Philippines. On the same year, with its total assets of Php 5.2 billion and net worth of over Php 800 million, the Bank was recognized as the biggest rural bank in the Philippines - bigger than most savings bank then.

In 2009, BMI's logo was redesigned and a new tagline was coined: "Malalapitan, Maaasahang Kaibigan". The tagline showcased the Bank as a friend who reaches out, understands and can be counted on in times of need.

In 2013, the Bank prepared to transition into becoming a full-fledged savings bank. It became an allied member of the BanCNet ATM consortium and it expanded its reach in Metro Manila with the opening of more micro-oriented branches and loan centers.

In 2014, it upgraded its Core Banking software application to Finacle, an integrated system that automates both deposit and loan processing to support ATM, mobile and internet banking.

On March 23, 2015, the Bangko Sentral ng Pilipinas gave its approval for BMI to operate as a thrift bank, specifically categorized as a Savings Bank as defined in Republic Act (R.A.) No. 7906.

Last 2020, during the height of the pandemic, BMI's business units were put through rigorious strategic resilience tests. The lockdowns and social distancing mandates have pushed them to step up and serve our customers diligently even with limited delivery channels. Their hardwork paid off as the Bank (despite the economic downturn) closed the year with a positive income.

In 2021 and 2022, the Bank was compelled to accelerate its shift toward digitization and increased efficiency. This was in response to the demand for a customer-centric culture where simplified products and seamless services are created to meet customers' evolving needs and exceed their expectations.

Mission

We exist to help more people attain better financial security.
We value our role in economic development and our contribution to social progress.
We are dedicated to the continuing growth of the Bank.

We are committed to the well-being of our employees and to providing them a work-life environment that brings out the best of their abilities, talents, and behavior.
We aim to provide our shareholders optimum returns on their investments.
In the pursuit of our mission, we shall be guided by the values of teamwork, integrity, concern, and excellence.

Vision

We aim to be the mSME bank of choice, creating value through innovative, and responsive financial products and services.
We will be:
Recognized for our ability to satisfy and delight our customers;
Admired for the competence and commitment of our people; and
Respected for the values and principles we stand for.

CORE VALUES

CONCERN

Exhibiting a selfless attitude in all dealings with customers, both internal and external and treating the company's business as if it were their own.

INTEGRITY

Exercising the highest ethical standards in all personal and professional dealings.

TEAMWORK

Working harmoniously, collaborating with and between groups and more importantly, recognizing and inspiring the best in every individual.

EXCELLENCE

Performing tasks accurately, efficiently & effectively and continuously improving systems and processes to deliver the best possible results.

BIMI: Bank of Makati's Persona

Bimi gives life to the Bank's "Maaasahan at Malalapitang Kaibigan," tagline. He is a "Kaibigan" or a friend to every Filipino: accepting, trustworthy, and dependable. His warm demeanor shows that he can connect with people from different walks of life.

He can easily relate to others, as such, he advocates for social inclusion by being available to the marginally banked or under banked community. These are the generally underprivileged population segments such as rural dwellers, micro, small and medium entrepreneurs (mSMEs) and low-income families who benefit from basic financial services such as savings, capital borrowings, and salary loans.

Bimi believes that by being accessible to these households and entrepreneurs, the vicious cycle of poverty and lower income inequality will be broken.

CHAIRMAN AND PRESIDENT'S MESSAGE

Throughout 2022, the Philippine economy demonstrated signs of recuperation from the impact of the global pandemic. However, the country's momentum towards full recovery was hindered by challenges such as the increased inflation and the ongoing conflict between Russia and Ukraine.

In an effort to address inflationary concerns and stabilize the national currency, the Bangko Sentral ng Pilipinas (BSP) implemented a series of decisive rate hikes, totaling to 350 basis points. As a result, the benchmark interest rate reached a 14-year high of 5.50 percent, following a prolonged period of record-low rates at two percent.

Philippine banks significantly bolstered their earnings by 37.5 percent, an all-time high, attributed to the higher interest income (amidst the aggressive rate hikes by the BSP) and increased trading gains. This surpassed the previous record set in 2019. The operating income of Philippine banks also increased by 15.5 percent in 2022 compared to the previous year. Net interest income went up by 12.8 percent, while non-interest earnings showed a substantial growth of 24.1 percent. Conversely, the provision for credit losses on loans and other financial assets slipped by 1.8 percent, reflecting the reopening of the economy from strict COVID-19 quarantine and lockdown protocols. Moreover, soured loans written off by Philippine banks fell by 66.4 percent in 2022.

BUSINESS AS USUAL

With business activities going back to normal and with the ease in movement restrictions, the Bank improved its profitability and financial performance, having breached the Php 3 billion mark in terms of net income, and achieving its profit guidance within the year. The 2022 net profit also increased by 15% from previous year's performance. Consequently, targets for return on assets, as well as return on equity were also achieved at 6.65% and 20.95%, respectively. The increase in interest income from previous year is a result of the increase in interest income and other operating income particularly on the gain on sale of properties. This contributed to the Bank's recorded growth in loans and receivables, as well as the strategic allocation of funds to higher yielding investment securities.

The increases in income however, were offset by the increase in the Bank's cost of funds in the form of interest expense. This was the impact of BSP's interest rate hikes during the year, in order to manage the inflation rate. Impairment losses and other operating expenses remained at almost the same levels as the previous year, reflecting the Bank's efficiency in terms of managing costs and asset quality. The Bank's consistent strong performance over the years kept its capital adequacy position way above the regulatory requirement. The Bank's capital adequacy ratio (CAR) which is a measure of stability and strength is at 31.81%, three (3) times the regulatory requirement of 10%. Moreover, liquidity wise, the Bank's Minimum Liquidity Ratio (MLR) was at 40.17%, twice the regular regulatory requirement of 20%.

THINKING AHEAD

Bank of Makati Inc. (BMI) has proactively identified strategies and solutions to address the issues of higher interest rates on deposits offered by competitor banks and the higher-than-expected attrition rate within the organization.

To mitigate the impacts of higher interest rates on deposits, the Bank focused on conducting market analysis, reviewing and optimizing deposit products and interest rates, enhancing the customer value proposition, and implementing targeted marketing campaigns.

The Bank remained committed towards its vision of becoming the mSME bank of choice and to its tagline "Malalapitan, Maaasahang Kaibigan". Initiatives that kept BMI's competitiveness in the market and that attracted, retained, and satisfied customers were implemented by the Business Units. The soft launch of its E2M variant, specifically for Agricultural enterprises and the 66th Anniversary Auto and Luxury Bike Display in the Head Office and Branches held from September 22-24, 2022 was two of the notable ones.

In terms of the high attrition rate, the Bank has planned and implemented various programs. These included a comprehensive analysis of the causes of attrition, enhancing recruitment and selection processes, implementing robust training and development programs, conducting employee engagement surveys, and establishing succession planning and career development initiatives. These actions were designed to attract and retain top talent, create a positive work environment, and ensure a skilled and motivated workforce.

FAVORABLE PERFORMANCE

Net profits increased to Php 3.19 billion from Php 2.78 billion in the previous year, reflecting a 15% growth. This resulted in notable improvements in return on resources, which rose to 6.65% compared to 6.09% in 2021. Return on equity (ROE) also experienced an upward trend, reaching 20.95% compared to 19.39% in 2021, placing the Bank among the top performers in the thrift bank industry based on BSP ranking.

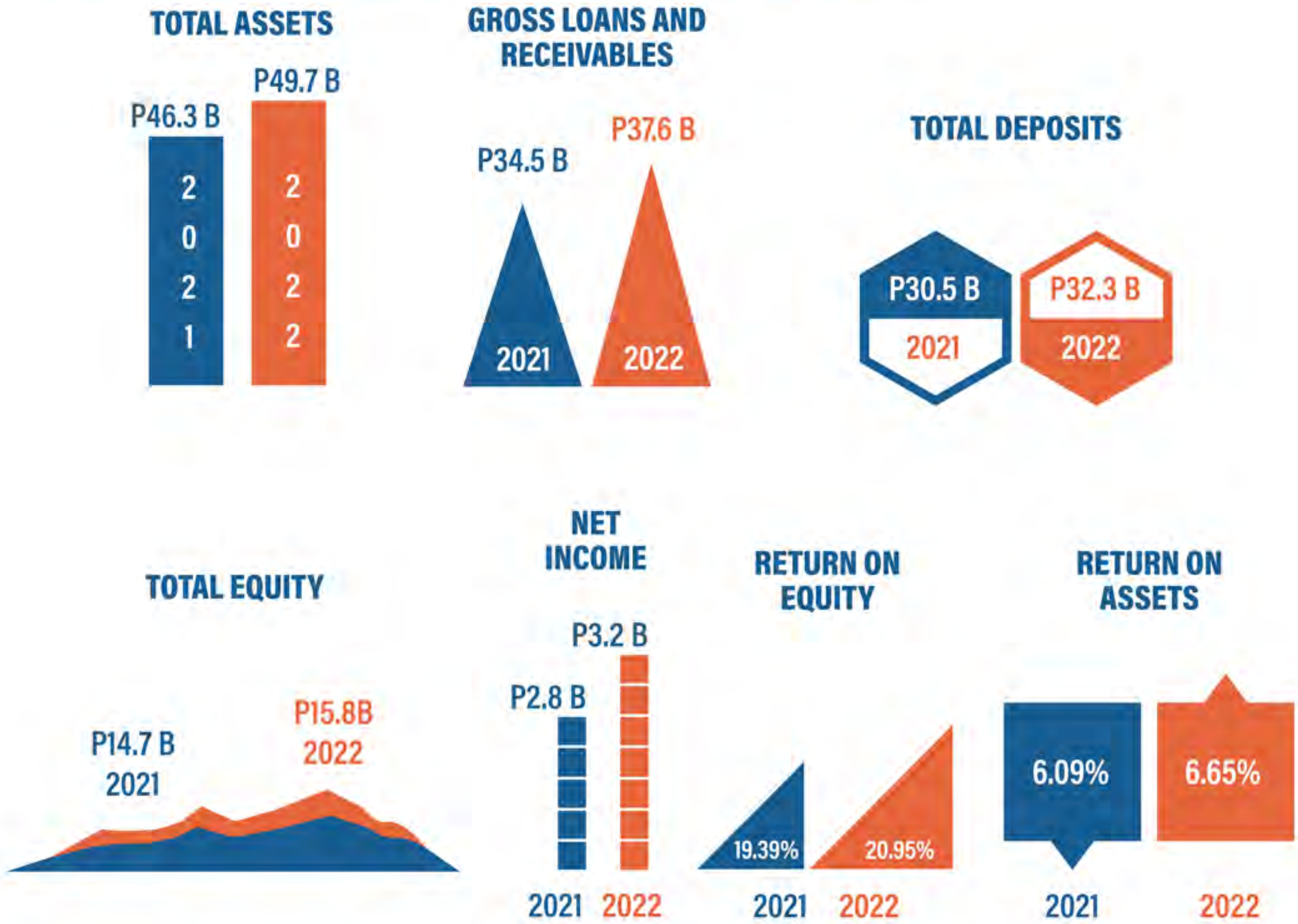
In terms of capital strength, the Bank maintained a robust capital adequacy ratio (CAR) of 31.81%, three times the regulatory threshold of 10%. Liquidity remained healthy, with the Minimum Liquidity Ratio (MLR) at 40.17%, more than double the regulatory requirement of 20%.

The Bank's growth and performance were driven by the continuous expansion of its resources, with an increase of Php 3.41 billion in 2022. Notably, investment securities grew by Php 4.2 billion, while loans and receivables increased by Php 2.89 billion. However, there was a decrease of Php 1.26 billion in due from other banks due to the strategic realignment of funds towards higher-yielding investment securities.

In terms of fund sourcing, deposit liabilities saw an increase of Php 1.83 billion. However, the Bank's interest expense on deposit liabilities showed an unfavorable increase, with the amount rising to Php 869 million from Php 701 million in the previous year. Overall, BMI was able to achieve its mission for its various stakeholders- its clients, employees, stockholders and the community. Its outlook for the year was met, despite the unprecedented challenges all throughout the year.

LUIS M. CHUA

FINANCIAL HIGHLIGHTS



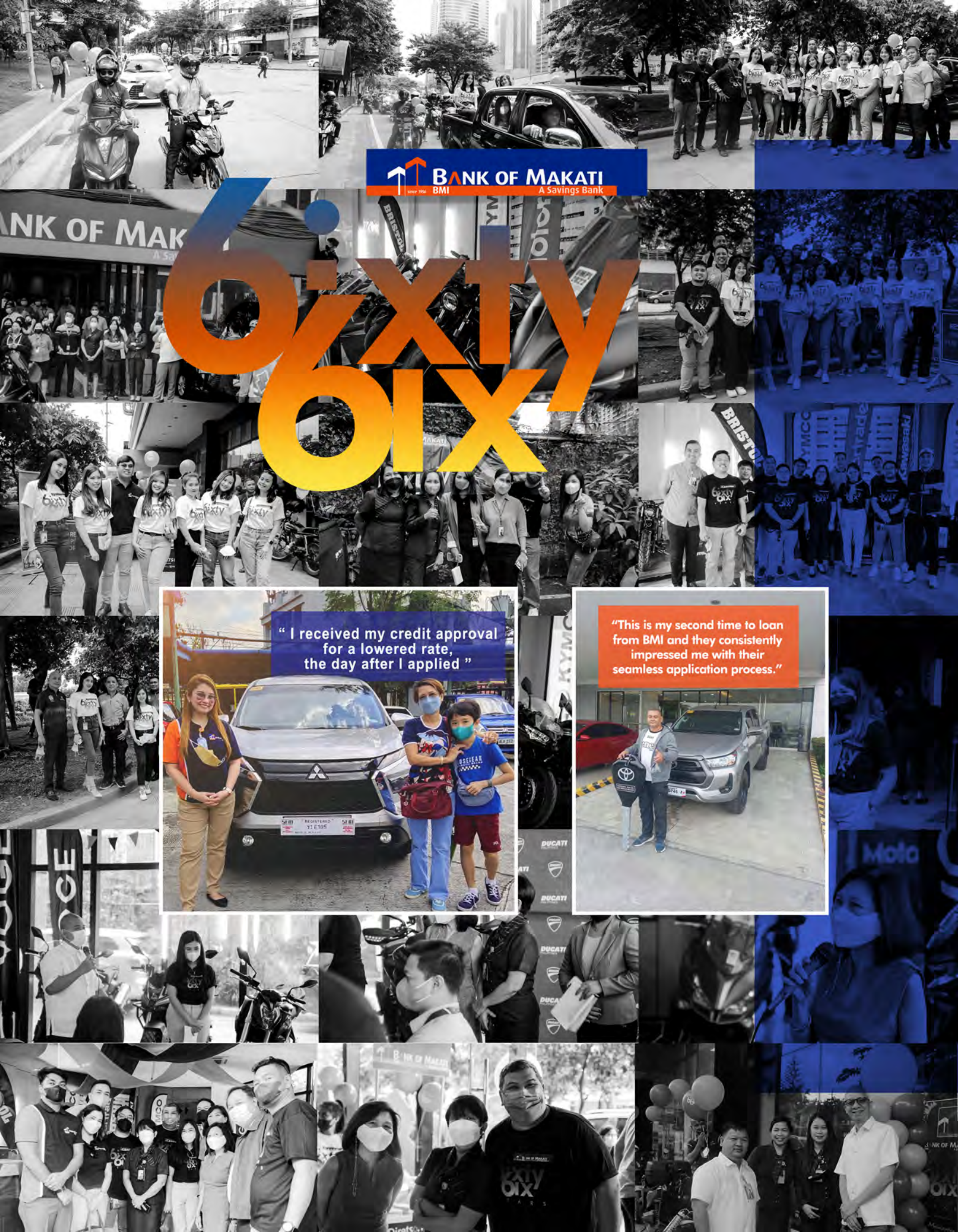
	2021	2022
Profitability:		
Total Net Interest Income	7,554,529,462	7,948,993,124
Total Non-Interest Income	1,044,621,331	1,210,037,406
Total Non-Interest Expenses	4,077,840,951	4,208,317,520
Pre-provision profit	4,521,309,842	4,950,713,010
Provision for Credit Losses	1,745,422,473	1,760,282,750
Net Income	2,775,887,369	3,190,430,260
Selected Balance Sheet Data:		
Liquid Assets	13,123,513,875	13,496,928,186
Gross Loans and Receivables	34,475,595,126	37,568,749,478
Total Assets	46,299,852,527	49,709,493,773
Deposits	30,475,013,159	32,304,890,717
Total Equity	14,696,985,088	15,754,959,140
Selected Ratios:		
Return on equity	19.39%	20.95%
Return on assets	6.09%	6.65%
Tier 1 Capital Ratio	31.00%	31.15%
Capital Adequacy Ratio	31.61%	31.81%
Others:		
Cash dividends declared	2,000,000,000	2,000,000,000

CSR

Corporate Social Responsibility

The Bank embraces its active role in the community build-up through its Corporate Social Responsibility (CSR) initiatives. It seeks to make a meaningful presence in the various communities it supports through its Corporate Social Responsibility Program. It desires to contribute to the economic development and improvement of the people's quality of life in communities that are in need of support in the areas of education, health, family life, child care, livelihood, sports development, and environmental protection.

Through its Corporate Services Group, the Bank independently organizes or partners with local foundations or with non-government organizations (NGOs) to launch meaningful social activities where the spirit of volunteerism is felt among its employees. Example of which are the feeding program for the underprivileged community in Taytay, Rizal that ran for ninety (90) days and Happy Bag (HABAG) Program for one hundred eighty (180) indigent families from the same community. These programs were rolled out in partnership with Tanglaw Touch Care Foundation (TTCF).


BANK OF MAKATI
since 1956 BMI
A Savings Bank
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" I received my credit approval for a lowered rate, the day after I applied "
"This is my second time to loan from BMI and they consistently impressed me with their seamless application process."

Celebrating 66 years of service is a significant milestone for Bank of Makati (A Savings Bank), Inc. It is a testament to the bank's reliability, trustworthiness, and dedication in providing financial services over the years. To express gratitude for the continued support and patronage, the Bank launched an *Auto and Luxury Bike Loan Promo during its Anniversary last September 22-24, 2022*. The anniversary celebration started with a motorcade around Makati's major thoroughfares. Various car and luxury bike dealers participated and showcased their new models, namely: *Geely, Toyota, Nissan, Mitsubishi, Ford, Ducati, Motortrade Nationwide Corporation, Bristol, and Voge* in BMI's Ayala Head Office and selected branches nationwide.

Interested Clients visited the car and luxury bike display and received credit decision for their loan application within 24 hours.

Ms. Jean Faustino, a Client of our Cubao Branch was delighted with how fast she was able to drive their new family car. Her experience with the Bank has strengthened our relationship with her and have compelled her to encourage her loved ones and friends to make us their bank of choice.

Similarly, *Mr. Rafael Walter Crisostomo of San Pablo City* was also satisfied with how smooth his loan availment went. In his books, the Bank delivered its commitment to be his *Malalapitan at Maaasahang, Kaibigan.*

Committee Chairpersons

CORPORATE GOVERNANCE COMMITTEE

Bank of Makati (A Savings Bank), Inc.'s (BMI) directors, management, employees, and shareholders trust that Corporate Governance is a necessary factor of what represents a sound strategic business management. Good corporate governance plays an important role in maintaining corporate integrity and managing the risk of corporate fraud, combating against management misconduct so that corruption would be avoided. The Bank adheres to the principles of good corporate governance and maximizes shareholder-value through the four (4) elements of corporate governance: fairness, accountability, independence, and transparency.

The Board, Management, and its employees conduct themselves with utmost honesty and integrity in the discharge of their duties and responsibilities. Consequently, nurturing the continuous success of the Bank and securing its competitiveness for the best interest of the Bank, its shareholders and stakeholders.

There are seven members of the Board of Directors of the Bank who set the tone and spearhead the Corporate Governance practices of the Bank. The Board is composed of Executive Directors, Non-executive Directors, and Independent Directors. The Board is responsible for approving and overseeing the Bank's corporate governance framework. The Board selects and appoints the composition and members of the Corporate Governance Committee, comprised of three (3) Independent Directors in conformity with the requirements set by the Bangko Sentral ng Pilipinas. The Corporate Governance Committee ensures that the Bank adheres to the Principles of Good Governance at all times and will continue to dedicate their efforts to uphold corporate governance practices that are built on integrity and transparency.

The framework of Corporate Governance includes:

1. The Board of Directors who is ultimately responsible for the approval of corporate culture and values, the implementation of strategies to achieve corporate objectives, the selection and appointment of key officers belonging in the senior management and control functions, and the approval of the risk governance framework.
2. The Board-Level Committees which are duly delegated by the Board of Directors to perform some of the functions of the Board;
3. Senior Management that carries the implementation of the strategies and initiatives approved by the Board; and
4. Internal Control Groups which handle the implementation of the key control functions such as Risk Management, Compliance, and Internal Audit.

To enforce bank-wide compliance, the Bank has a Board-approved Manual of Corporate Governance that includes the guidelines and policies in adherence to the Bangko Sentral ng Pilipinas (BSP), the Securities & Exchange Commission (SEC), as well as local and global best practices. The Corporate Governance Manual serves as guide to the directors, officers, and employees of the Bank. It is meant to instill awareness of their respective responsibilities in maintaining corporate integrity, to aid in mitigating the risk of corporate fraud, and to prevent management misconduct and corruption. The manual also promotes transparency and upholds the rights of the Stockholders and Stakeholders of the Bank.

Annually, the Bank through its Corporate Governance Committee reviews the Corporate Governance Manual and recommends changes and amendments when necessary.

Bank of Makati (A Savings Bank), Inc. is determined to maintain good corporate governance and professionalism in the management and operation of the Bank's business hence, the Bank remains steadfast in its compliance to all applicable regulations governing it.

SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Directors are duly elected during the Annual Stockholders Meeting and are named as such in the Articles of Incorporation and By-Laws and in all documents as may be required by regulatory bodies. The elected directors hold office until the next succeeding stockholders' meeting or up to the day when their respective successor's appointment becomes effective.

The conduct of election of Independent Directors shall be in accordance with the standard procedures as with the regular Directors. The nomination of Directors and Independent Directors shall be submitted to the Corporate Governance Committee through the Secretariat at any time before the election to give the Committee sufficient time to review the qualifications of the nominee as against the requirements set by the Bank, BSP, SEC, and other relevant regulatory bodies. The Committee shall also consider the independence of mind and sufficiency of time to carry out the responsibilities as a director in their assessment of the nominees.

SENIOR MANAGEMENT

The Senior Management is expected to uphold the mission, vision, and core values of the Bank. The Corporate Governance Committee shall be responsible for the appointment/selection of key members of the Senior Management, heads of the control functions, and the management committees handling the compensation, remuneration, and incentives policy of the Bank's personnel. In this regard, the Board, through the Corporate Governance Committee, shall oversee the selection of the President/Chief Executive Officer, and other key personnel including members of Senior Management and heads of control functions based on applying the fit and proper standards, integrity/probity, physical/mental fitness, relevant education/financial literacy/training, and possession of competencies relevant to the job such as knowledge and experience, skills, and diligence.

The appointment of the President and the Senior Management shall be carefully reviewed by the Corporate Governance Committee. A full report on the qualifications of the Senior Management together with the profiles of each nominee is presented to the Committee to serve as basis for the nomination. The Committee pre-screened the qualifications of the nominees and conducted the nomination procedure, in order to come up with the final list of all qualified candidates. Based on the recommendation of the CGC, the Board of Directors make the final decision in the appointment of the President and the Senior Management.

BOARD'S OVERALL RESPONSIBILITY AND OVERSIGHT AND THE ROLE AND CONTRIBUTION OF EXECUTIVE, NON-EXECUTIVE DIRECTORS AND CHAIRMAN OF THE BOARD

BOARD'S OVERALL RESPONSIBILITY

The Board of Directors is primary responsible for defining the Bank's mission and vision as they represent the owner's interests in ensuring the success of the business as well as to achieve the objective of increasing the shareholder's value. The Board also fosters the long term success of the Bank and sustains its competitiveness and profitability in a manner consistent with its corporate objectives and in the best interest of the stockholders which includes protecting the interest of the other stakeholders, its employees, customers, suppliers, and to the community where the Bank operates.

Additionally, the Board is responsible in establishing a sound corporate governance framework and in ensuring that it is implemented across the Bank.

BOARD OF DIRECTORS

The Board of Directors is composed of three (3) Independent Directors, three (3) Executive Directors, and one (1) Non-executive Director. The composition of the Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives. All of the directors were chosen based on the fit and proper standards such as integrity, probity, conduct and behavior, market reputation, physical and mental fitness, relevant education and training, knowledge and experience. The Directors possess the qualifications and stature that enables them to effectively participate in the deliberations of the Board. The Board's decision and actions are always for the best interest of the Bank and its stakeholders.

The Board of Directors is committed to the corporate governance principles and oversees the overall corporate governance practices and performance of the Bank. The responsibilities of the Board include:

a. To establish the code of conduct and ethical standards which define the Bank's corporate culture and values.
b. To oversee the Management's implementation of the Board-approved strategic objectives and business plans.
c. To appoint the key members of Senior Management and the heads of control functions and the approval of sound remuneration and other incentives policy for personnel.
d. To approve the risk governance framework and to ensure the implementation of appropriate systems to manage the identified risks.
e. To approve and oversee the implementation of the Bank's corporate governance framework.

The Board of Directors is comprised of three (3) independent directors, three (3) executive directors, and one (1) non-executive director.

- Independent Directors (ID) - is independent of management and is free from any business or other relationship, has not engaged or does not engage in any transaction with the Bank or with any of its related parties. An ID does not hold a material share or does not have any relationship with the Bank or its related parties. The IDs are brought from outside with the objective of bringing new insight and balance to the organization. The IDs bring specific expertise based on their previous work and/or personal experiences. More so, the Independent Directors promote good governance practices to improve corporate credibility which in turn raise investor's confidence and protect stockholders interest.

  The number of Bank's Independent Directors is compliant with the required minimum proportion set by BSP and SEC.

The Independent Directors can only serve up to a maximum cumulative term of nine (9) years reckoned from 2012, after which, they shall be perpetually barred from serving as Independent Director but may continue to serve as a regular director of the Bank.

- Non-executive Directors (NED) – are the directors who are not part of the day-to-day management of the Bank's operations; though, contribute to the formulation of strategies and policies of the Bank to accelerate and to ensure that the overall objectives of the Bank are achieved. The NEDs also possess strong independent judgment that is evident through active participation in the proceedings and decision-making process of the Board.

- Executive Directors (ED) - are the directors who are responsible for steering the organization and are in-charge of the direct management of the implementation of Board-approved policies, procedures, strategies, and initiatives. An Executive Director leads by example and at the same time thrives toward sustainability.

MAJOR ROLE AND CONTRIBUTION OF THE CHAIRMAN OF THE BOARD

The Chairman of the Board of Directors is elected by majority of the Board members. The Chairman of the Board leads the Board of Directors in achieving its mandate of setting the overall direction of the organization. He provides leadership to the Board of Directors and ensures that the Board takes an informed decision and sets the tone of good governance from the top.

The Chairman ensures that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns; that there is a sound decision-making process; that dissenting views can be expressed and discussed within the decision-making process thus critical discussion is encouraged; that members of the Board of directors receive accurate, timely, and relevant information; that the Bank conducts proper orientation for first-time directors and provide continuous training opportunities for all directors; and that there is a conduct of performance evaluation for the Board of Directors at least once a year.

Board Composition

As of December 31, 2022

	Board of Directors	Type of Directorship	Principal Stockholder represented, if nominee	No. of Years served as Director	No. of Direct & Indirect shares Held	% of shares held to Total Outstanding Shares of Bank
1	Thomas C. Ongtenco	NED (Chairman)	N/A	21	56,745,948	11.34919%
2	Ramon B. Manzana	Executive Director	N/A	21	19,900,065	3.98001%
3	Luis M. Chua	ED (President)	N/A	5	10	0.00000%
4	Victor C. Ongtenco	Executive Director	N/A	1.5	53,737,581	10.74752%
5	Shirley M. Sangalang	ID (Independent Director)	N/A	1.7	1	0.00000%
6	Sofia C. Ladores	ID (Independent Director)	N/A	1.5	1	0.00000%
7	Martin G. Tengco Jr. ***	ID (Independent Director)	N/A	.5	1	0.00000%
	Alfredo P. Pineda **	ID (Independent Director)	N/A	13.5	0	0.00000%

** Replaced as member in June 2022/End of maximum comulative term of nine (9) years as Independent Dirtector
*** Appointed as member in June 2022

LIST OF BOARD-LEVEL COMMITTEES INCLUDING MEMBERSHIP AND FUNCTION

Board-Level Committees	Members	Jan 1 – June 30, 2022	July 1 – Dec 31, 2022	Functions
Executive Committee (EXCOM)	Mr. Ramon B. Manzana	Chairperson	Chairperson	The Executive Committee is a sub-Committee of the Board of Directors in-charge of the review and approval of credit transactions based on the designated approval limits; credit policies, corporate plans and the strategic plans of the Bank. The Board of Directors has vested in the Executive Committee decision making authority regarding the execution of business. The Committee works alongside with Risk Management Group to properly manage the credit risk aspect of the Bank. The EXCOM is composed of the President/Director and two (2) other Directors, who are appointed by a resolution at a meeting of the Board of Directors. The frequency of EXCOM meeting is being held monthly. However, additional meetings may be convened as required upon agreement of all members.
	Mr. Luis M. Chua	Member	Member	
	Mr. Victor C. Ongtenco	Member	Member	
Corporate Governance Committee (CGC)	Atty. Alfredo Pineda*	Chairperson		The Corporate Governance Committee is a sub-Committee of the Board of Directors in-charge in assisting the Board in fulfilling its corporate governance responsibilities. The CGC handles the development, implementation and review of the Bank's Corporate Governance program and ensuring effectiveness of its due observance on corporate governance policies and procedures applicable to business. The review and evaluation of the qualifications of all persons nominated to the Board as well as the nominations of other positions requiring appointment by the Board of Directors. Oversees the periodic performance evaluation of the Board and Board Level Committees and Executive Management if it's in accordance with the Committee Charters. The CGC makes recommendations to the Board regarding the implementation of the policy on continuing education of Directors, succession plan for the members of the Board and Senior Management and remuneration policy linked to the corporate and individual performance. The CGC is composed of three (3) Independent Directors, who are appointed by a resolution at a meeting of the Board of Directors. The CGC meeting is being held at least quarterly. Special meetings may be convened as required.
	Mr. Martin G. Tengco, Jr.*		Chairperson	
	Ms. Shirley M. Sangalang*	Member	Member	
	Ms. Sofia C. Ladores*	Member	Member	
Risk Oversight Committee (ROC)	Ms. Sofia C. Ladores*	Chairperson	Chairperson	The Risk Oversight Committee is an independent oversight board-level committee who is responsible in managing all risk encountered by the Bank. The ROC shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite to prevent losses and minimizing the impact of losses when they occur. It shall also ensure that the Risk Management Function has adequate resources and effectively oversees the risk-taking activities of the Bank. The ROC is composed of at least three (3) members of the Board. The Committee Chair is an Independent Director/Non-executive Director; the other two (2) members of the ROC are also Independent directors. The ROC are appointed by a resolution at a meeting of the Board of Directors. The ROC meets as needed and should meet at least once a month.
	Ms. Shirley M. Sangalang*	Member	Member	
	Atty. Alfredo Pineda*	Member		
	Mr. Martin G. Tengco, Jr.*		Member	
Audit and Compliance Committee (ACC)	Ms. Shirley M. Sangalang*	Chairperson	Chairperson	The Audit & Compliance Committee is a sub-committee of the Board that oversees the financial reporting process, system and internal controls, the risk management systems, internal and external audit functions, compliance, with governance policies applicable to laws and regulations. The ACC is composed of three (3) Independent Directors who are appointed by a resolution at a meeting of the Board of Directors. The ACC frequency of meeting is at least once a month.
	Ms. Sofia C. Ladores*	Member	Member	
	Mr. Martin G. Tengco, Jr.*		Member	
	Atty. Alfredo Pineda*	Member		
Related Party Transaction Committee (RPTC)	Atty. Alfredo Pineda*	Chairperson		The Related Party Transaction Committee is a sub-Committee of the Board of Directors responsible in ensuring that related parties are handled in a sound and prudent manner with integrity and in compliance with applicable laws and regulations to ensure that transactions are conducted at arm's-length terms to protect the interest of the depositor and stakeholders. The RPTC is composed of three (3) Independent Directors who are appointed by a resolution at a meeting of the Board of Directors. The RPTC meets often enough or as deemed necessary but not less than quarterly to undertake its role effectively.
	Mr. Martin G. Tengco, Jr.*		Chairperson	
	Ms. Sofia C. Ladores*	Member	Member	
	Ms. Shirley M. Sangalang*	Member	Member	

DIRECTOR'S ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

JANUARY – DECEMBER 2022	BOARD COMMITTEE No. of meetings: 14		CORPORATE GOVERNNANCE COMMITTEE No. of meetings: 12		EXECUTIVE COMMITTEE No. of meetings: 12		AUDIT AND COMPLIANCE COMMITTEE No. of meetings: 24		RISK OVERSIGHT COMMITTEE No. of meetings: 22		RELATED PARTY TRANSACTION COMMITTEE No. of meetings: 12	
Composition	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage
Thomas C. Ongtenco	14	100%										
Ramon B. Manzana	14	100%			12	100%						
Luis M. Chua	14	100%			12	100%						
Victor C. Ongtenco	12	86%			11	92%						
Alfredo P. Pineda*	6	100%	6	100%			10	100%	9	90%	6	100%
Shirley M. Sangalang	13	93%	12	100%			24	100%	19	86%	11	92%
Sofia C. Ladores	14	100%	12	100%			24	100%	22	100%	12	100%
Martin G. Tengco Jr**	8	100%	6	100%			14	100%	12	100%	6	100%

* Replaced as member on June 2022/End of maximum cumulative term of nine (9) years as an Independent Director

** Appointed as member on June 2022

LIST OF MAJOR STOCKHOLDERS*

As of December 31, 2022 the Bank have a total of 68 shareholders. The following are the Bank's top 20 holders of common shares:

	Name of Stockholder	Nationality	Common Share	Percentage of stockholdings	Voting Status
1	Thomas C. Ongtenco	Filipino	56,745,948.00	11.34919%	Voting
2	Paulino C. Ongtenco	Filipino	54,742,950.00	10.94859%	Voting
3	Alex C. Ongtenco	Filipino	53,752,076.00	10.75042%	Voting
4	Victor C. Ongtenco	Filipino	53,737,581.00	10.74752%	Voting
5	Helen C. Ongtenco	Filipino	53,737,538.00	10.74751%	Voting
6	Teresita O. Sy	Filipino	53,737,529.00	10.74751%	Voting
7	Christine C. Ongtenco	Filipino	53,737,528.00	10.74751%	Voting
8	Motortrade Life and Livelihood Assistance Foundation, Inc.	Filipino	47,468,920.00	9.49378%	Voting
9	Ramon B. Manzana	Filipino	19,900,055.00	3.98001%	Voting
10	Lucilla O. Manzana	Filipino	19,622,560.00	3.92451%	Voting
11	Janine O. Manzana	Filipino	7,000,000.00	1.40000%	Voting
	Jerem O. Manzana	Filipino	7,000,000.00	1.40000%	Voting
	Jedrik O. Manzana	Filipino	7,000,000.00	1.40000%	Voting
12	Vicente N. Ongtenco	Filipino	2,498,364.00	0.49967%	Voting
13	Paul Gabriel M. Ongtenco	Filipino	1,000,000.00	0.20000%	Voting
	Daniel E. Roxas	Filipino	1,000,000.00	0.20000%	Voting
	Shyla April O. Sy	Filipino	1,000,000.00	0.20000%	Voting
	Stephanie Paula M. Ongtenco	Filipino	1,000,000.00	0.20000%	Voting
	Paul Vincent M. Ongtenco	Filipino	1,000,000.00	0.20000%	Voting
	Kristine Pauline M. Ongtenco	Filipino	1,000,000.00	0.20000%	Voting
	Caleb Y. Ongtenco	Filipino	1,000,000.00	0.20000%	Voting
	Logan Y. Ongtenco	Filipino	1,000,000.00	0.20000%	Voting
	Ellie Y. Ongtenco	Filipino	1,000,000.00	0.20000%	Voting
14	Amor Fe Lee	Filipino	134,810.00	0.02696%	Voting
15	Desmond Chan	Filipino	134,800.00	0.02696%	Voting
16	Olga Retulin	Filipino	12,894.00	0.00258%	Voting
17	Belen Coronado	Filipino	10,379.00	0.00208%	Voting
18	Esteban Silva	Filipino	5,094.00	0.00102%	Voting
19	Audrea Cabalquinto	Filipino	2,610.00	0.00052%	Voting
20	Carl Anthony Mariano	Filipino	2,273.00	0.00045%	Voting

* Stockholders owning more than 20% of voting shares of stock of a bank or which enables such stockholders to elect, or be elected as, a director of such bank

PERFORMANCE ASSESSMENT PROGRAM

FOR THE BOARD OF DIRECTORS AND BOARD-LEVEL COMMITTEES

The Corporate Governance Committee, with the assistance of the Compliance Group, facilitates the annual evaluation of the performance and effectiveness of the Board, the Board-level Committees, the directors, and the Bank itself. A Self-assessment Questionnaire is provided to each director, to the Chairman of each Board-level Committee, and to the Corporate Governance Committee members wherein they collectively evaluate each member of the Board. The questionnaire is to be accomplished based on the personal view of the evaluator following the set expectation of the corporate governance such as: competence, attendance, and participation in the meetings, integrity, and the overall execution of duties, responsibilities, and accountabilities of each director. The directors shall indicate in the Self-assessment Questionnaire its own rating from a scale of 1-10, the lowest being not observed and the highest being largely observed.

The Compliance Group is in charge of collating and consolidating the result of the Performance Evaluation.

The Corporate Governance Committee ensures that the results of the evaluation are shared and discussed to the Board and that concrete action plans are developed and implemented to address the identified areas of improvements.

The results of the July 2021- June 2022 Performance Evaluation of the Board and Board-level Committee are shown below:

	Board of Directors	BOD	Corporate Governance Committee	Risk Oversight Committee	Related Party Transaction Committee	Board Audit & Compliance Committee	Executive Committee
1	Thomas C. Ongtenco	Largely Observed					
2	Ramon B. Manzana	Largely Observed					Largely Observed
3	Luis M. Chua	Largely Observed					Largely Observed
4	Victor C. Ongtenco	Largely Observed					Largely Observed
5	Alfredo P. Pineda	Largely Observed	Largely Observed	Largely Observed	Largely Observed	Largely Observed	
6	Shirley M. Sangalang	Largely Observed	Largely Observed	Largely Observed	Largely Observed	Largely Observed	
7	Sofia C. Ladores	Largely Observed	Largely Observed	Largely Observed	Largely Observed	Largely Observed	

In summary as shown in table, each member of the Board actively and effectively performed their duties and responsibilities as part of the Board of Directors and as a Chairman/Member of their respective Board-Level Committees.

FOR THE SENIOR MANAGEMENT

The Bank recognizes the need to link the overall business goal and the expected individual contribution to ensure optimal productivity; thus, the Bank implements a performance management system to set the deliverables and output and to address performance gaps. To support this, the Bank institutionalized the performance management through its Performance Management Development System (PMDS) where individual targets are quantified and set as the basis for individual performance evaluation, using five (5) layers of rating structure. As a management tool, the Bank's PMDS does not end in a typical appraisal rating alone as it is directly linked to the Individual Performance Development Plan. It allows the Management to recognize high performance and likewise creates an avenue to identify improvement opportunities for its people based on objective assessment of their individual performance.

To give focus on the importance of the system, the first week of January is considered as Performance Management and Development Week where department and group heads including its senior management are expected to undertake performance evaluation through its online performance appraisal facility. Performance monitoring is done on a monthly, quarterly and semi-annual basis to keep track of each progress based on commitment. An upward appraisal is also conducted among its middle management to identify potential gaps in leadership and management competencies.

ORIENTATION AND EDUCATION PROGRAM

The Corporate Governance Committee is mandated to oversee the continuing education of the Board of Directors. The Committee is responsible for the effective implementation of policies for on-boarding orientation programs for first-time directors and the continuing education of all directors. The training programs cover topics that are relevant in carrying out their duties and responsibilities as directors, which include risk management, governance, control, and accountability. The members of the Board are required to regularly attend seminars on Anti-Money Laundering Law and on other regulations, annually. In addition, the Compliance Group regularly provides updates through reporting of significant issuance of the BSP, AMLC, SEC, PDIC and other regulatory updates on corporate governance and risk-related regulations to the Board.

The newly appointed First-time Directors are required to attend a seminar on Corporate Governance for Board of Directors which is conducted by a recognized private or government institution duly accredited by the Bangko Sentral ng Pilipinas. They are required to attend proper orientation and receive a copy of and acknowledge the general responsibility and specific duties and responsibilities of a director and the Board.

The Bank is dedicated to persistently reinforce its compliance through education and training. The Organizational and People Development Department (OPDD) in collaboration with Business Units, has a program for the newly-hired employees which include Anti-Money Laundering Act, Information Security Awareness, Data Privacy Act, Risk Awareness, and Corporate Governance modules. A Refresher Training Course for mandated trainings is also included in the OPDD program. The Bank's Compliance Group disseminates to all employees the significant regulatory issuances in a form of compliance bulletins.

RETIREMENT AND SUCCESSION POLICY

RETIREMENT POLICY – DIRECTORS

The Directors are elected during the Annual meeting of the Stockholders or in a special meeting called upon for the purpose and hold office for one (1) year and serve until their successors have been duly elected.

The Independent Directors are subject to a maximum cumulative term of nine (9) years, after which, they are perpetually barred from serving as independent director in the Bank but may continue to serve as a regular director.

The Directors may remain on the Board for as long as he/she is re-elected as a Director. He/she should also be physically and mentally fit and proper for the position of a director and able to fulfil their duties pursuant to the regulatory requirements for Banks. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/training; possession of competencies relevant to the job such as knowledge and experience, skills and diligence, independence of mind; and sufficiency of time to fully carry out the responsibilities.

RETIREMENT POLICY – SENIOR MANAGEMENT

The normal retirement age of the Bank employees is at the age of 55 years; while the early retirement is at the age of 50 years. For all employees hired before January 14, 2011, normal retirement is at the age of 60 years while compulsory retirement is at the age of 65 years. The Bank provides benefits on early retirement, resignation, death/total and permanent disability, optional and mandatory retirement and involuntary separation.

All regular and permanent employees of good standing are entitled to the retirement benefits under the program in accordance with the conditions applicable at the time of the employee's separation from the Bank which may be due to the mandatory retirement, early/optional retirement, death, permanent and/or total disability, or separation. The Bank bears the full cost of providing the benefits of the plan in recognition of their contributions and loyalty to the Bank.

SUCCESSION POLICY

The Bank recognizes the value of leadership continuity in the organization and the need to immediately fill in vacant critical positions arising from attrition and other means of separation from the Bank.

The Bank has a Board-approved succession plan which aims to develop, train, and groom successors for critical positions as well as other significant posts in the Bank. The program includes a system for identifying and developing potential successors for key and critical positions through systematic evaluation process and training. The policy intends to ensure that there is a ready supply of internal talents for key and critical positions in the Bank and at the same time assess external talent for key positions to ensure continuity of business operations in the event of a position vacancy. The Succession Plan provides procedures and guidelines for the development of a potential successor/s that shall ensure a smooth transition to fill-out any temporary or permanent post.

For the members of the Board, the vacancies are filled-up through votes of at least majority of the remaining Directors of the Bank. The Corporate Governance Committee is responsible for ensuring that the candidate possesses all the prescribed qualifications and none of the disqualifications as a director under BSP's MORB.

For the key offices holding critical positions, the Heads identifies their future successor/s and on a regular basis provides mentoring, coaching, and training to further develop the core competencies of the successor. The Heads are in close coordination with HRD to track the overall progress of the identified successor.

REMUNERATION POLICY

The Bank has an approved Salary Structure that is used in determining the remuneration of all employees. The remuneration policy and its implementation are regularly reviewed to ensure that it is aligned with the operating and risk culture as well as the strategic and financial interest of the Bank. The Directors' honorarium and Officers' compensation packages are based on the industry compensation package.

The salary scale of Officers are generally based on the established Salary and Job Classification Framework and Pay Structure which provides a well-structured job grading and competitive pricing so that each employee is paid in accordance with his/her competencies, responsibilities, and contribution. These are reviewed periodically to ensure its competitiveness in the market. New positions may be added in the Salary and Job Classification Framework upon proper job analysis, evaluation, and justification of the need for establishing the same and upon approval of the Management.

The compensation packages for non-officers/rank-and-file employees are in accordance with Labor Law requirements and the Bank's contractual obligation under a collective bargaining agreement.

As stated in the Bank's By-Laws, no compensation shall be paid to any director as such, but the directors of the Bank may be allowed reasonable honoraria in recognition of their contribution and for attendance at meetings. The total annual compensation of Directors for their attendance in Board meetings and Board-level Committee meetings for the period of January to December 2022 was Php4,800,000.00.

POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

Related Party Transactions (RPTs) are transactions or dealings with related parties of the Bank. The Bank has a Board-approved RPT policy which governs the Bank's RPTs and ensures that transactions are conducted in the ordinary course of business and on substantially the same terms as those with non-RPTs.

The Bank acknowledges that related party transactions may result in a conflict of interest. Thus, the Board has delegated the Related Party Transaction Committee (RPTC), composed of independent Directors, to ensure that the transactions with Directors, Officers, Stockholders, Related Interests (DOSRI), and related parties are handled in a sound and prudent manner and in compliance with applicable laws and regulations to protect the interest of the Bank's depositors, creditors and other stakeholders.

The RPTC's duties and responsibilities include evaluation, on an on-going basis, of the existing relationship between and among business and counterparties and of all RPTs to ensure that these are not undertaken on more favorable economic terms. The RPTC also ensures that appropriate disclosures are made, and information is provided to the regulating and supervising authorities relating to the Bank's exposures. The RPTC also monitors the status of aggregate exposures to each related party as well as the total amount of exposures to all related parties. The concerned director/s and officer/s with interest in the transaction shall abstain from the discussion, approval, and management of such transactions or matter affecting the Bank.

All material RPTs are reviewed and vetted by the RPT Committee before endorsement to the Board for approval and these are ratified by the stockholders during the Annual Stockholders meeting.

Please refer to the Notes to Financial Statement for the Bank's related party transactions.

SELF-ASSESSMENT FUNCTION

INTERNAL AUDIT FUNCTION

The Bank has an internal audit system that reasonably assures the Board, Management, and stockholders that the Bank's key organizational and operational controls are faithfully complied with. The Board of Directors established the Audit and Compliance Committee (ACC) which allows the internal audit activity to fulfil its mandate.

Internal Audit Group's (IAG) authority cuts across all functions, units, processes, records, and personnel in relation to the conduct of its role. It has an approved Internal Audit Charter, which serves as a guide in the performance of mandated duties and basis in evaluating the effectiveness and efficiency of the Bank's internal audit function. IAG performs the internal audit activities for the Bank which is strictly guided by its conformance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and full compliance with the mandate for the third line of defense role instituted by the BSP regarding Internal Audit Function and Internal Control Framework.

IAG provides independent, objective assurance, and consulting services to evaluate and improve the effectiveness of risk management, control, and governance processes. IAG achieves this through the competent application of systematic and disciplined processes, expertise, and insight. IAG covers, at a minimum, the evaluation of the adequacy and effectiveness of controls that cover governance, operations and information systems, reliability and integrity of financial and operational information, effectiveness and efficiency of operations, protection of assets and compliance with contracts, laws, rules and regulations.

The Chief Audit Executive (CAE) is responsible in ensuring that an audit report is issued for each audit engagement conducted summarizing significant findings, recommendations, and the auditee unit's responses and/or actions taken or to be taken with target dates of resolution/implementation. Audit reports are communicated to the Board of Directors through the ACC. IAG is also responsible for the appropriate follow-up on engagement findings until these are fully and completely resolved.

COMPLIANCE GROUP

The Bank's Compliance Group (CG) is responsible in assisting the Management in ensuring that the Bank-wide activities and its employees are in conformity with applicable laws and regulations set forth by the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), Philippine Deposit Insurance Corporation (PDIC), and other regulators. To effectively perform its mandate, CG has the right to obtain access and information necessary to carry out its responsibilities, conduct investigations of possible breaches to the compliance policy, and has direct access to the Audit and Compliance Committee and to the Board of Directors.

The Compliance Group is independent from the business activities of the Bank and is headed by the Chief Compliance Officer. She supervises the Compliance Group and oversees the identification and management of compliance risk. The Regulatory Compliance Department is a unit within the CG that provides guidance on the interpretation of regulations to effectively ensure that all regulatory requirements are communicated, implemented, and complied by the Bank. The Department assesses compliance risks associated with the business activities through the conduct of periodic compliance testing. Another unit of CG is the Anti-Money Laundering Department which ensures that the Board-approved Money Laundering and Terrorist Financing Prevention Program (MTPP) is implemented. The Department also ensures that all Bank employees are updated with the latest and applicable AML laws and regulations through continuing education as covered in the AML Training Programs of the Bank.

MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM (MTPP)

The Bank's Board-approved MTPP provides polices on various AML areas for compliance such as the following:

a. Onboarding Customer Due Diligence

   The Bank implements an appropriate customer and ultimate beneficial owner identification, sanctions screening, risk profiling, and due diligence that corresponds to the risk profile of the client during on-boarding.

b. On-going Monitoring of Customers, Accounts and Transactions

The Bank has established and implements a mechanism to determine the normal and reasonable account or business activity of customers through branch/unit level-self-assessment approach and through its customer/transaction monitoring system at the Compliance Group Level. This is to ensure that the Bank's first and second line of defense can immediately conclude that accounts and transactions are consistent with the financial or commercial activities, risk profile, and source of funds/wealth of the customers, and that unusual or suspicious patterns of account activity are proactively detected. Additionally, the Bank is continuously enhancing its alert parameters or scenarios, criteria, transaction count analysis; and appropriate threshold amounts are adopted for a particular transaction, customer, or activity.

c. Covered Transaction Monitoring and Reporting

The Bank maintains and implements policies and procedures and has in place a manual and system-based CTR-generating tool to enable the bank to generate CTRs and to submit the corresponding report to the AMLC within the prescribed period.

d. Suspicious Transaction Monitoring and Reporting

The Bank maintains and implements policies and procedures for identifying, analyzing, investigating, and reporting suspicious transactions to the AMLC within the prescribed period, manner and form, when any of the suspicious circumstances under AML/CFT laws, rules, and regulations exist, and as resolved by the Bank's Anti-Money Laundering Committee, including manually-identified transactions, such as those referred by the concerned units.

e. Compliance with Freeze Orders and Targeted Financial Sanctions (TFS)

The Bank maintains and implements policies and procedures to effectively implement freeze orders and other similar directives/orders issued by the court or the AMLC or the ATC; and TFS to comply with relevant laws, rules and regulations.

The Bank has in place an internally-designed and developed Bank Risk Assessment System (BRAS) within the AML Compliance System (ACS). It is a sanction screening tool that also stores sanctions list, PEP Lists, among others for watchlist verification purpose.

f. Record Keeping and Retention

The Bank provides and implements policy on record-keeping and retention to ensure that information obtained in the context of Customer Due Diligence is recorded and retained within the required retention period and form as prescribed under AML/CFT laws, rules and regulations; this is to ensure confidentiality and protection of all customer records and transactions; and to be able to timely submit required information when a regulator request for the record.

g. Continuing Education and Training Program (CETP)

The Bank implements an annual AML/CFT training program with modules and approaches designed for directors, senior management, officers, and employees to enable them to fully understand and comply with their obligations and responsibilities under AML/CFT laws, regulations, and the Bank's MTPP.

DIVIDEND POLICY

Subject to the provisions of the Bank's Amended-By Laws, the Bank's Board of Directors may declare dividends out of the unrestricted or free retained earnings and undivided profits reported in the Financial Reporting Package (FRP) as of fiscal year-end preceding the dividend declaration date. The dividends may be payable in cash, property, or in stock to all stockholders on the basis of outstanding stock held by them. Provided, that any cash dividends due on delinquent stock shall be applied first to the unpaid balance on the subscription plus costs and expenses, while stock dividends shall be withheld from the delinquent stockholders until their unpaid subscription is fully paid: Provided further, that no stock dividend shall be issued without the approval of stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a regular or special meeting duly called for the purpose.

The Bank has declared a cash dividend on February 8, 2022 amounting to Php 2.0 billion (P4.0 per share) to stockholders of record as of December 31, 2021. The same was fully paid on March 7, 2022.

STOCKHOLDER'S RIGHT AND PROTECTION OF THE STOCKHOLDER'S MINORITY INTEREST

The Bank, through its Board of Directors, strongly recognizes the rights of the Stockholders as provided in the Corporation Code of the Philippines and ensures that they can freely participate in the Bank's dealings.

WHISTLE-BLOWING POLICY AND PROGRAM

The objective of the Whistle-blower Protection Policy and Program is to deter and uncover corrupt, illegal, unethical, fraudulent or other conduct detrimental to the interest of the Bank committed by its employees, as well as the latter's clients. This program will provide protection to any Bank employee or client who reports or provides information regarding violations of company policies, rules, and regulations. As such, this policy is a critical component of the Bank's pursuit for good corporate governance.

The Bank mandates its employees to observe the highest standards of business and personal ethics in the conduct of their duties and responsibilities. Employees must practice honesty and integrity and strictly comply with all applicable laws, rules, and regulations. The Bank encourages its officers, employees and clients to provide information that evidences unsafe, unlawful, unethical, fraudulent or wasteful practices. The Bank, in turn, will protect any whistle-blower from any form of retaliation, harassment, adverse employment consequences or other discriminatory acts for providing information relative to violations of Bank policies, rules and regulations.

RISK OVERSIGHT COMMITTEE

Risk Governance

Risk at BMI cannot be totally eliminated but it can be managed through appropriate risk governance and clear ultimate objectives in terms of risk and reward. "Risk and Reward" as one of the BMI's RM philosophies is not a mere buzzword/slogan to be memorized by BMI employees but is implemented across business units to attain long term sustainability. Hence, the entire Board of Directors ("the Board") collegially directs and governs the business affairs of BMI and ultimately responsible for managing the risks assumed by the Bank.

Considering that the BSP holds the entire Board and Senior Management accountable for failure in risk management, a strong collaboration was strengthened among the Board, ROC, CGC, RPT, ACC, RMG, IAG, CG, Management and all Business Units in managing risk. The collaborative approach makes initial ERM implementation possible. This was achieved by implementing an integrated approach in measuring the credit risk, market risk, operations risk, IT risk, information security risk, legal risk, reputation risk, compliance risk and environmental & social risk.

ROC as an oversight board-level committee who is equally responsible in managing all risks encountered by the Bank enhances the existing risk management approach, RM framework/tools/reports and monitor its efficiency and effectiveness through its independent supervision. The enhancements are implemented to gradually move toward actual Enterprise Risk Management (ERM) involving all business units. The primary objective of ERM is to break the traditional inclination to "silo risk management".

The major challenges in the initial and systematic implementation of ERM is to fully interface all software solutions/applications and integrate data to come up with a single source of reliable, accurate and timely information. Hence, in 2022 the Bank is in the evolving phase of ERM.

Despite the key challenges, ROC directed RMG, ITG and ISD to improve/align the existing RM tools with ERM approach and toundertake the following actions as initial steps toward ERM framework which have been carried out operationally in 2022.

a. Implement the regular assessment/review of economic capital (CAR) jointly with Management, representative of key business units and independent departments of the bank and perform stress test. The main objective is to manage effective use of risk-based capital to be allocated internally to each business lines.

b. Monitor the potential downturn of credit quality, breaches in regularity risk limits and internal thresholds, the accuracy of the Expected Credit Loss (ECL) and adequacy of loan loss reserves. ROC, through RMG, consistently directs Management to extend credit to good quality loans and price the loan based on quality and profitability. ROC directed RMG to escalate to Management in a timely manner any credit risk concentration, asset quality and renewal of expired lines for immediate action.

c. Reinforce the alignment of business objectives/targets, policies, procedures and risk tolerance. Revisions of risk policies is undertaken to attune to BSP mandate and to ensure relevance.

d. Strengthen the oversight to determine enterprise risk profile of the Bank for subsequent escalation and information of the entire Board.

   With the enterprise risk profile in mind, the Board has basis in approving allocation of capital to more productive bank products by establishing product portfolio mix, risk capacity, risk threshold/appetite and limits as clear guidance on the acceptable level of risks of various operating units.

   Risk policies and limits endorsed by ROC and approved by the Board are meant beyond compliance with BSP regulations because the underlying objective of the Bank is to prevent measurable losses from eroding economic capital of the Bank.

   Risk appetite is developed by RMG in consultation with the Management, evaluated by ROC and approved by the Board. For many of the Bank's products, historical loss experience was used as the basis for materiality, while target volume and earnings are the basic considerations for setting loss limits.

   The Board and ROC always express its strong mandate to strengthen the oversight and management of IT risk and information security risk. BMI does not tolerate IT and information security risk that may breach/loss the confidentiality, integrity, availability and accountability of sensitive information. Hence, a strong safeguard/firewall to protect the Bank's network and endpoints protection are seriously managed to prevent data loss. ROC endorsed to the Board the approval of the (a) Information Security Incident Management Policy and (b) Identity and Access Management Policy.

   Further, a threshold of 99.95% availability approved by the Board is maintained at all times. Notable action of the Board is the oversight over obsolete IT assets by approving an asset migration plan and ROC/RMG monitors its implementation.

e. Integrate risk identification and risk measurementon enterprise level wherein the BUs use the structured approach of the self-assessment RSCA, ISRA, Report on Crime and Losses, Loss Event Report in identifying, quantifying and controlling potential risks and near misses. These tools support business units to manage their respective risks proactively.

f. Inculcate intensely the Bank's RM philosophy of risk awareness and accountability to all risk takers of Business Units via seminars, lectures, emails to make the entire organization aware of potential risk. In this manner, reactive approach or remedial approach is lessened.

g. Practice on a day-to-day basis the BMI's philosophy of transparency by strictly implementing the stringent and timely submission of Loss Event Report to determine risk exposure of each business line and develop loss database as basis in measuring the actual operational risk exposure of the Bank.

h. Monitor closely the full implementation and acceptance of the risk ownership i.e. first-line of defense by the front liners/risk takers and Management, second-line of defense by RMG and Compliance Group and third-line of defense by IAG. The hierarchy of risk ownership has been defined and the specific risk ownership/accountability is fully documented in the revised RCSA and ISRA template.

i. Train continuously the personnel performing oversight functions, Functional Risk Advocates and risk takers to fortify the risk management function of the Bank.

j. Enhance, reinforce and integrate the BCP framework of the Bank. Under the new BCP framework approved by the Board in 2022, the defined readiness of business lines, offices under the corporate level, ITG and Safety & Security Department are coordinated to ensure safety of Bank personnel and continuity of bank services.

2022 RMG Accomplishment/Initiatives

Despite the attrition risk encountered by the departments of RMG (the working arm of ROC), it was able to manage and deliver its mandate. Below are the detailed initiatives and accomplishment of RMG in 2022 in managing risks aligned with BSP policies and suggestions:

Role of the CRO

In addition to the regular functions of the CRO of spearheading and managing risk oversight across the enterprise, below are the accomplishment of CRO in support of the Business Units.

- Review of proposals on Bank Policies and Procedures prepared by various units prior to presentation to the Management Committee.
- Render administrative support to ROC Meetings (e.g. preparation of ROC Minutes of Meetings, compliance to ROC directives, coordination with various Bank Units).
- As Business Continuity Deputy Head, attend meetings to give advices in compliance with the BCP committee charter.
- As Resource Person, attend meetings to give advices in compliance with the committee charter of the AMLA Committee.
- Provide guide as Resource Person for various Management Committees (ALCO, ITMSC, Mancom Risk).

Credit Risk Management (CRM)

Credit risk management is responsible for the oversight of the implementation of board-approved credit risk policies and risk appetite to manage risks arising from the lending exposure of the Bank. The CRMD manages credit risk in accordance with the Credit Risk Management Manual, the BMI's Credit Risk Appetite and governing regulations. Credit risk policies and procedures, loan portfolio management, transition matrix and post approval credit review are the major RM tools used to ensure prudent and sensible lending decisions to protect the Bank investments.

CRMD is tasked to ensure a consistent approach to credit risk management, as well as establish clear roles and responsibilities across Bank. Further, it ascertains that the risk-taking groups remain supportive of the Bank's over-all business target and lending strategy.

2022 Key Achievements/Initiatives

CRMD Operations Manual was reviewed and updated to align the Bank's existing policies/procedures/practices with BSP MORB and recommendations; and to improve risk measurement tools. Revisions made are the following:

Credit Review Framework. The Credit Review Framework was revised to include the specific objectives of independent credit review, identified the loan portfolios subject for credit review, and modified the review procedures. The primary objective of the revised framework is to attain a more effective credit review process aligned with the MORB BSP regulations.

Cure Period. The policy on Cure Period was amended to establish a more suitable and realistic cure period using more granular tenor buckets. The revisions were based on the recent study on the performance of past due loan accounts from February 2021 to January 2022.

Asset Quality. The Bank through CRMD regularly monitors the Asset Quality/ratios such as but not limited to the Total Loan Portfolio, Past Due ratio, NPL ratio, NPA for escalation to ROC. The Asset Quality Report is vital to determine the Bank's overall portfolio quality. It primarily reflects the quantity of existing and potential credit risk associated with the loan and investment portfolios, real estate and other assets. The asset quality ratios reflect the ability of the management to identify and manage credit risk.

Large Exposures. Large Exposures and Credit Risk Concentrations was also revised to align with the MORB BSP regulations, BASEL Committee on Banking Supervision (BCBS) and the Bank's historical past due data for the period Y2017 to Y2021.

Credit Risk Concentrations Monitoring with specified MAT and PD MATs. Concentration of credit risks is inherent in banking and cannot be totally disregarded since it can have an adverse impact on Bank's capital, liquidity and earnings. Accordingly, CRMD monitors the sources and degree of portfolio concentration risk against the regulatory and approved limits by setting up Management Action Trigger (MAT) and PD MATs. The past due limit for each identified credit concentration risks was set based on the 5-year historical past due data (i.e. Y2017-Y2021). The credit risk concentrations monitored monthly and reported to ROC are: DOSRI, SBL, Real Estate Exposures, Exposures per Industry, Product Type, Geographical Region, Unsecured/Clean Loans and Borrower Type.

Credit Stress Testing. Generally, credit stress testing analyzes whether the bank has enoughcapital to withstand an economic or financial crises based on various theoretical/hypothetical scenarios. It helps in gauging credit risk and the adequacy of assets and to help evaluate processes and controls in the bank.

CRMD conduct stress testing as a theoretical exercise. The basis of the exercise are assumptions/conjectures of what may happen in the future. Assumptions include two scenarios: (1) Plausible scenario of 20% and 30% of Current Outstanding Balance is assumed defaulted, and (2) Worst-case scenario of 50% and 100% of Current Outstanding Balanceis assumed defaulted. The assumptions may change based on the current economic and environmental conditions in the country, directives of Management and ROC or BOD, or any other probabilities applicable in conducting the stress testing. Results of the stress test is reported to the ROC monthly.

Back testing the Expected Credit Losses (ECL) Model. The back-testing results for the Expected Credit Losses (ECL) Model was presented to and noted by Mancom. This involved the review on the ECL model before testing the statistical significance of the variables to determine the p-values and applying the statistical measurements which includes Normality, Heteroscedasticity, Autocorrelation and Multicollinearity. The overall result showed that the Bank's EAD, PD and LGD computations were acceptable but a recalibration of the macroeconomic overlay was recommended.

Vintage Analysis Report (MCL) was conducted and presented to and noted by ROC. This method of evaluating credit quality of loan portfolio measures the performance of a portfolio in different periods of time after the loan was granted. This report monitors the loans booked for the year with high cumulative default ratios and tracked the reasons related to the portfolio performance of the Bank.

Post approval review of loan portfolio was conducted and completed initially for Business Loans. The results of the post approval review provided Mancom, ROC and Board data on the recovery of Bank's exposure, profitability of the portfolio and compliance with the approved terms and conditions. In addition, CRMD started the post approval review for MCL Loans which was expected to be presented to Mancom and ROC first quarter of 2023.

Credit Exposure as of 31 December 2022

The table below shows BMI's maximum ex posure to credit risk, before and after considering eligible collateral held or other credit enhancements.

Nature of Item	Net Carrying Amount	Risk Weight	RWA
Cash on hand	126,910,755	0%	-
Due from BSP	2,554,667,407	0%	-
Financial assets designated at fair value through profit or loss issued by Philippine National Government and BSP	-	0%	-
Available for sale financial assets issued by the Philippine National Government and BSP	2,680,215,931	0%	-
Held-to-maturity financial assets issued by the Philippine National Government and BSP	5,987,171,988	0%	-
Receivables arising from reverse repurchase agreements issued by the BSP	1,863,967,047	0%	-
Loans covered by hold-out deposits	34,807,242	0%	-
Loans guaranteed by HGC	89,813,114	0%	-
Housing Loans fully secured by first mortgage- not classified as non-performing	345,882,382	50%	172,941,191
MSME Loans qualified for lower risk weight	2,968,721,557	50%	1,484,360,779
Housing Loans fully secured by first mortgage- classified as non-performing	4,094,765	100%	4,094,765
All other non-performing loans and debt securities	1,959,044,599	150%	2,938,566,898
Real and other properties acquired and Non-current assets held for sale, net of allowance for losses	487,221,721	150%	730,832,582
Net Other Assets	30,574,456,870	100%	30,574,456,870
Total Credit Risk Weighted Assets	49,676,975,378		35,905,253,085

Major Challenges:

No CRMD Head - Despite having no Department Head for the 2nd half of the year, CRMD was able to manage and deliver its mandate with the supervision of the OIC supported by the CRO and three CRMD Section Heads. Several trainings have also been attended by the CRMD personnel to further hone their work performance, promote team motivation and create growth opportunities.

Market & Liquidity Risk Management (MLRM)

Major and regular functions of MLRM are:

- Design, establish, document and update policies, procedures, metrics and assumptions on Market and Liquidity (ML) risk management.
- Measure and monitor ML risk exposure to ensure compliance with the approved internal and regulatory policies.
- Inform the CRO, ALCO and ROC regularly or as needed the level and trend of BMI's ML risk exposures.
- Define risk appetite on ML exposures in coordination with business units involved. Limits are revisited annually in coordination with Treasury Group.
- Conduct Stress Testing on ML risk exposures.
- Coordinate with Treasury Group on its new risk-taking activities and plans to assess and simulate new ML risk exposure.
- Monitor daily VAR and perform back testing for all assets that carry a price/market risk.
- Monitor excess in approved limits and immediate escalation of limits exceptions.
- Perform periodic (annual or semestral) stress testing of ML risk exposures to determine impact on CAR.
- Review limits annually and secure Board approval for the revisions.
- Comply with BSP recommendations to improve risk measurement tools and the assumptions used, and Conduct continuous training for MLRMD personnel.

2022 Market and Liquidity Risk Management Key Achievements/Initiatives

- Compliance with the BSP suggestions were completed. The Bank's interest rate risk modelin the banking book (IRRBB) was updated to comply with BSP Circular 1044 mainly changes in monthly assumptions for measurement of interest rate and liquidity risk. Other suggestions, such as external validation of risk measurement models, are still ongoing.

- Inclusion of monthly market outlook in the regular reports to ROC. This provides the RMG and ROC with a forward-looking framework for managing market risk.

- Resumption of Daily VAR measurements for FVPL and FVOCI. VAR measurement was resumed during the year, using the Bloomberg platform as a regular function. Change from parametric method to one-year historical and a reduction in degree of confidence from 99.5% to 99% were implemented to align with the revision in the Bloomberg platform for daily VAR measurement to improve accuracy. These settings have proven more effective in limiting excess daily MTM changes over daily VaR estimates.

- Daily monitoring of off-market and other unauthorized transactions. Off-market monitoring has gained significance since the start of 2023, with increased trading and investment activities by Treasury Group.

Market Risk Exposure as of 31 December 2022

As of 31 December 2022, the Bank's market risk-weighted assets amounted to PhP441.47 million, or 0.90% of the PhP48.9 billion total risk-weighted assets. The amount of market risk-weighted assets was influenced by the large percentage of zero risk-rated Government securities among fixed rate bond investments.

Risk-based CAR as of 31 December 2022 (in millions PhP)

Net Tier 1 Capital	15,244.00
Net Tier 2 Capital	320.57
Total Qualifying Capital	**15,564.57**
Credit Risk-weighted Assets	35,905.25
Operational Risk-weighted Assets	12,584.63
Market Risk-weighted Assets	441.47
Total Risk-weighted Assets	**48,931.35**
CAR (TQC / RWA)	**31.81%**

Major Challenges

The expected recovery of the local economy from the impact of the covid-19 pandemic has been moved forward nearly three years, from 2022 to 2024, for various reasons. The major challenge for Market and Liquidity risk is the accurate reading/close monitoring of economic forecast and market movement; and come up with immediate defensive action to protect the position of the Bank without sacrificing profitability.

Operational Risk Management (ORM)

Operational Risk Management Department operates on a "continuing basis" based on the standards set forth under BSP Circular 900. General and regular functions of ORMD include:

- Issuance of guidelines to all business units on consistent and adequate process and controls to manage operational risks.
- Establishment of the roles and responsibilities of the Board, ROC, RMG Management and staff of BMI in the management of operational risks.
- Identification of the mechanisms to determine operational risk profile, evaluate and accepts new risks and monitor those risks.
- Definition of reporting requirements for risk assessment and actions taken by risk owners and their escalation to appropriate levels within BMI.

2022 Operational Risk Management Key Initiatives/ Achievements

- ***Risk Identification and Assessment.*** ORMD's risk assessment process remains thorough and comprehensive, utilizing a variety of tools and techniques to identify and assess risk across all business units. This helps the Bank gain better understanding of the risks the Bank faces and develop risk mitigation plans that are effective and aligned with the Bank's objectives.

- ***Risk Mitigation.*** ORMD continuously worked closely with various business units to develop and implement risk mitigation plans. This collaboration helped to ensure that the plans were tailored to the specific needs of each department and aligned with bank's overall risk appetite. ORMD also provided guidance and support to business units throughout the implementation process, helping to ensure the plans were effective.

- ***Risk Culture.*** ORMD continued to promote its defined risk culture across the Bank particularly the "Basic RM Literacy" and "Be Prepared, Not Reactive". This was achieved through training and awareness of all employees through Functional Risk Advocates (FRAs), encouraging them to identify and report risks, and promoting a "proactive approach" to risk management. A strong risk culture is essential for effective risk management and helps to ensure that risks are identified and addressed throughout all business units.

- ***Risk Policy Formulation and Enhancement.*** ORMD ensured that all operational risk management policies met the minimum requirements of the regulators and are aligned with the best practices. In 2022, a proposed revision of Risk and Control Assessment Framework, incorporating periodic loss monitoring, was approved by the Board and implemented across all business units after the required training. Some improvements were also made on the KRI framework where risk level classification per business unit was adopted. Enhancement on Report on Crime and Losses (RCL) framework was also a major initiative during the year to align some of its provisions with the regulatory requirements.

- In order to further boost operational risk management across theBank, ORMD proposed a performance evaluation for FRA which was approved by the Board for implementation in the subsequent year. FRA performs their day-to-day functions which include risk awareness and oversight of control effectiveness in their covered areas. FRA's tasks, if well-performed, contribute to the achievement of bank's success in maintaining operational losses within the bank's risk appetite and contributing to the increase of bank's net income.

ORMD achieved significant milestones during the year, controlling actual and potential operational losses to the bare minimum and within the risk appetite of the Bank; thus, contributing to the Bank's overall success. In Y2023, ORMD will continue to focus on strengthening risk management capabilities, promoting a strong risk culture and addressing emerging operational risks.

Operational Risk Weighted Assets, as of 31 December 2022

Nature of Item	Gross Income			Average 1/
	Year 3	Year 2	Last Year	
Annual Gross Income	8,331	8,092	8,746	8,390
Capital Charge (Average Gross Income multiply by Capital Charge Factor of 12%)				1,007
Adjusted Capital Charge (Capital charge multiply by 125%)				1,258
TOTAL OPERATIONAL RISK-WEIGHTED ASSETS (Adjusted Capital Charge multiply by 10)				12,585

As of 31 December 2022, BMI's ORWA is Php12.6B using the BSP CAR formula. Conversely, as of the same year, the actual operational loss of BMI is Php2.046M.

Major Challenges

The current measurement of capital charge for operational risks, which is the Basic Indicator Approach (BIA), yield an amount significantly higher than the actual loss incurred by the bank every year. The Bank may have utilized/allocated more of capital to credit risk weighted assets only if BSP BIA measurement could be adjusted to a more suitable approach.

IT Risk Management

General & Regular Functions of ITRMU

Responsible in the identification, measurement, monitoring and control of risks for IT business processes or IT service assets on a periodic basis.

ITRM Section of RMG, Information Technology Group (ITG), Information Security Department (ISD) and IT Audit Department (ITAD) collectively and strictly perform IT Risk Management anchored on the concept of enterprise-wide risk management and based on the following Board-approved policies aligned with BSP regulations:

- IT Risk Management Framework
- IT Risk Management Operations Manual
- Information Security Framework
- Information Security Policy Manual
- IT Group Department Operational Manuals
- Internal Audit Group (IAG) Manual – IT Audit Department

2022 Key Initiatives/Accomplishments

Generally, the Bank's IT risk management system is within acceptable standards. To further mitigates the risk exposures arising from its moderately-complex IT operations, the Bank has accomplished the following:

Reorganization of ITRMU. In 2022, ITRMU underwent significant organizational changes, i.e. spin-off of the ITRM Section from Operational Risk Management and creation of an independent section under RMG to focus more on IT-related risks. The ITRM Section's manpower was updated with a diversified team of individuals with different IT backgrounds to strengthen the team's capabilities. The following initiatives were undertaken towards continuously enhancing IT risk management tools and manuals, which enable the management of IT risks more effective.

Continuous Training. The risk takers and oversight team underwent technical and non-technical trainings to update their skills.

Increase Manpower Complement. To address the high manpower attrition among IT personnel, continuous hiring of new employees is being done, and plans were made to potentially acquire IT outsourcing and service providers within the next year.

Enhancement of Project Management. The Bank started to enhance its project framework to effectively manage project risk and minimize delays in project implementation. Post-implementation reviews are also timely conducted to understand the lessons learned.

System Availability. The Bank also addressed breaches in system availability by migrating legacy applications to new and improved systems

On Business Continuity. Disaster recovery capacity/infrastructure, the Bank embarks plans to use cloud infrastructure.

On General IT Security. The Information Technology Group (ITG) has taken several proactive steps to enhance the security of application and network systems while ensuring seamless operations.

In 2022, the IT Group made significant efforts to enhance the company's security posture by strengthening the internal policies and procedures and implementing continuous monitoring to defend the application and network systems. The group has updated the IT strategic plan to include new security technologies and robust solutions that are currently used in the market.

In collaboration with the Information Security Department (ISD), the IT Group has taken proactive measures to mitigate suspected security incidents. These actions have helped to minimize the risk of potential security breaches and safeguard the company's sensitive data.

Internal Vulnerability Assessment and Penetration Testing (VAPT) were conducted by ISD and ITG to ensure the security of the company's system endpoints and protection of business data. This testing provided valuable insights and recommendations as basis to further enhance the system's security and minimize the potential risk of attacks.

The IT Group has also improved the company's network infrastructure by upgrading the internal and external entry points such as firewalls and standardizing access rules based on zero-trust principles. These measures strengthened the Bank's overall security posture and reduce the risk of unauthorized access. The IT Group has implemented these controls on a continuous basis under the oversight of the Risk Management Group (RMG).

In conclusion, the IT Group has made significant contributions to the company's security posture by mitigating potential security risks. ROC is confident that IT Group's continued efforts will allow the Bank to remain resilient against evolving cyber threats.

On Malware. The Bank has implemented an advanced anti-malware solution that effectively safeguards the Bank's endpoints and application systems running on various operating system platforms. This solution provides multiple layers of protection to mitigate the risk of internal and external attacks. The Bank has also employed various security devices, such as firewall, network segmentation and threat protection solutions to strengthen its malware protection infrastructure.

To ensure the Bank's malware protection and security infrastructure remain updated , the Bank reviews these controls on a regular basis and plans enhancements to prevent potential risk of malware attacks.

On Pharming & Phishing. The Bank is continuously and strictly monitoring internet-based systems and endpoints to strengthen its defense against malicious activities, such as pharming and phishing attacks. In compliance with regulatory requirements and best practices, the Bank is implementing various protection measures such as secured email authentication, encryption, website and content filtering, and layered security controls, including firewalls and intrusion prevention devices. These protect our internet-based systems and endpoints including email, and links to regulatory and market platforms.

To ensure the Bank's protection measures remain up-to-date, the Bank conducts regular user education and awareness programs to educate employees on measures against email-based attacks. These measures aim to provide adequate protection for the Bank's information assets, safeguard its customers' sensitive information, and maintain a secure environment for financial transactions.

Major Challenges

Improvements to the IT capacity planning process will be undertaken to identify IT resource requirements, establish reasonable project completion timelines, and address system compatibility issues and open security vulnerabilities.

As technologies continue to evolve i.e., cloud implementation, API language, digital and mobile banking, data management and third-party risk, the Bank aims to stay attune on the latest risk issues and continuously improve its controls and monitoring to mitigate potential risks effectively. The Board and the Management are committed to provide support to ensure that management of IT Risk has the necessary resources to carry out its mandate commendably.

Information Security Risk Management

BMI is governed by an approved Information Security (IS) Framework. This framework provides guidelines in maintaining compliance with relevant regulations, protecting BMI's reputation and achieving the following objectives: Confidentiality, Integrity, Availability and Accountability (CIAA) of the Bank's information assets.
The IS Framework consists of vital components: Governance, Management and Cyber Threat Intelligence and Collaboration. The Governance specifies and provides oversight to ensure that risks are adequately mitigated, while Management ensures that controls are implemented to mitigate risks. Furthermore, Cyber Threat Intelligence and Collaboration provides the organization a deeper understanding of what is happening outside the network and give a clear view of the cyber threats that bring the most risk to the infrastructure.

In action, the Bank is consistently updating (review, modify, implement) the IS policies and procedures to ensure that controls are in place, relevant and up to date. Annually, the Bank conducts an enterprise-wide Information Security Risk Assessment to ensure that risks are identified, control gaps are assessed and mitigating action plans are implemented. ISD is continuously propagating Information Security Awareness to employees through formal trainings to ensure that every BMI'er gain adequate knowledge and understanding on IS policies and arising new threats. ISD also regularly conducts review and monitoring of access controls, physical security, system security, network security, end-user computing security and application security as part of Key Risk Indicators to assess the overall risk profile of the Bank and provide corresponding mitigating controls.

As the Bank continuous to progress and embark in new projects that will enhance customer satisfaction, the Bank will ensure that information security risks are assessed and mitigated in all its undertaking.

Environmental & Social Risk

As part of the Sustainable Finance initiatives of the Bank, the Environmental & Social Risk Management System (ESRMS) was crafted by RMG and Corporate Planning and Regulatory Compliance Department (CPRCD).

The ESRMS policy includes the framework, the objectives, the roles and responsibilities of business units involved, scope of policy, approving authorities, manner of monitoring and reporting, training requirements and managing environmental and social risk.

The ESRMS identified an exclusion list (industries that will not be financed by BMI), classified industries into categories of risk levels using the Environmental & Social Risk Categories (ESRC), as well as recommended risk tools such as ESRMS Assessment tool and Hazard Map.

This policy will be operationalized immediately upon approval of the amendments of the operations manuals of relevant business groups specifying procedural guidelines onimplementation of the approved ESRMS Policy.

AUDIT AND COMPLIANCE COMMITTEE

The role and responsibilities of the Audit and Compli ance Committee (ACC) are defined in the Board-approved Terms of Reference (TOR). In accordance with this TOR, the Committee assists the Board of Directors (BOD) in fulfilling its oversight responsibilities with respect to:

- system of internal controls,
- risk management, and governance process of the Bank,
- integrity of the Bank's financial statements and its financial reporting process
- performance of the internal audit function and the external auditor
- compliance with bank policies, applicable laws, rules and regulatory requirements

The Committee is composed of three (3) qualified independent directors. All members have the necessary background, knowledge, skills, and/or experience to carry out their functions.

The Committee held 12 regular meetings and 1 special meeting in 2022.

Highlights of its activities were as follows:

1. **Financial Statements:**

Reviewed and discussed with Management and the external auditor, Punongbayan & Araullo (P&A), the audited financial statements of Bank of Makati and the related disclosures for the year ended December 31, 2022 including the assessment of the internal controls relevant to the financial reporting process. The review was conducted in the following context:

- that Management is responsible for the preparation and fair presentation of the financial statements in accordance with the prescribed financial reporting framework and,

- that P&A has audited the financial statements in accordance with the Philippine Standards on Auditing and is responsible for expressing an opinion on the fairness of the presentation, including the results of its independent review of the Bank's business models and valuation techniques particularly on the recalibrated PFRS9 model and loss provisioning. After obtaining assurance on the external review of the financial statements, the Committee endorsed the audited financial statements for approval of the BOD.

2. **External Audit:**

Reviewed the audit plan and the scope of work of the external auditors, ensuring that key focus areas were appropriately covered and there were no significant gaps in the scope between external and internal audits to ensure effective use of resources.

The Committee also discussed the external auditor's report, focusing on the items with material financial impact and key control issues through its Management Letter of Comments.

3. Internal Audit:

a. Reviewed and approved the annual work plan of Internal Audit including its charter, audit risk assessment model and audit rating framework. The Committee ensures that the internal audit function is independent, has adequate and competent resources, and has appropriate authority to be able to effectively discharge its duties.

b. Reviewed and discussed the reports from internal audit and other management assurance units ensuring that Management is taking the appropriate corrective actions on the issues on a timely manner. Open/outstanding findings are tracked and monitored until full resolution.

c. Discussed with Management major systems implementation, security threats and/or other relevant information technology issues ensuring that risks had been adequately addressed or mitigated.

d. Evaluated the performance of the Chief Audit Executive. The Committee also ensures that Internal Audit activities continuously conform with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics through internal assessments and reviews.

4. Regulatory Compliance:

a. Reviewed and approved the annual compliance and AML plan of the Group Compliance Office including amendments of its manuals. The Committee also discussed the quarterly compliance update reports and the 2021 BSP Report of Examination, including Management's responses and corrective action plans on the issues and recommendations.

b. Discussed the results of the post-implementation reviews of related party transactions (RPTs), ensuring that any significant issues had been appropriately addressed.

The Audit and Compliance Committee reviewed its own Terms of Reference/Charter to ensure that it is updated and aligned with the regulatory requirements.

Based on the results of the assurance activities performed by the Bank's Internal Audit, compliance reviews and the external auditor's unqualified opinion on the financial statements, the Committee assessed that the Bank's systems of internal controls, risk management, and governance processes continue to be adequate and generally effective. This overall assessment states, among others, that the audit scope and coverage are sufficient, comprehensive, and risk-based, that Management is aware of its responsibility for internal control, and that there is no interference with the accomplishment of audit activities and reporting of issues and other relevant information to Management, Audit Committee, and the Board of Directors.

Capital Adequacy Ratio

December 31 (in thousands Php)

	2022	2021
Tier 1 Capital	15,244,177	14,140,004
Tier 2 Capital	320,574	274,881
Gross Qualifying Capital	**15,564,750**	**14,414,884**
Less: Regulatory Deductions		
Significant minority investment in other financial allied undertakings	0	0
Total Qualifying Capital	**15,564,750**	**14,414,884**
Credit Risk Weighted Assets	35,905,253	33,312,113
Market Risk Weighted Assets	441,470	587,836
Operational Risk Weighted Assets	12,584,634	11,703,642
Total Risk Weighted Assets	**48,931,357**	**45,603,591**
Tier 1 Capital Ratio- Net	**31.15%**	**31.00%**
Total Capital Adequacy Ratio	**31.81%**	**31.61%**

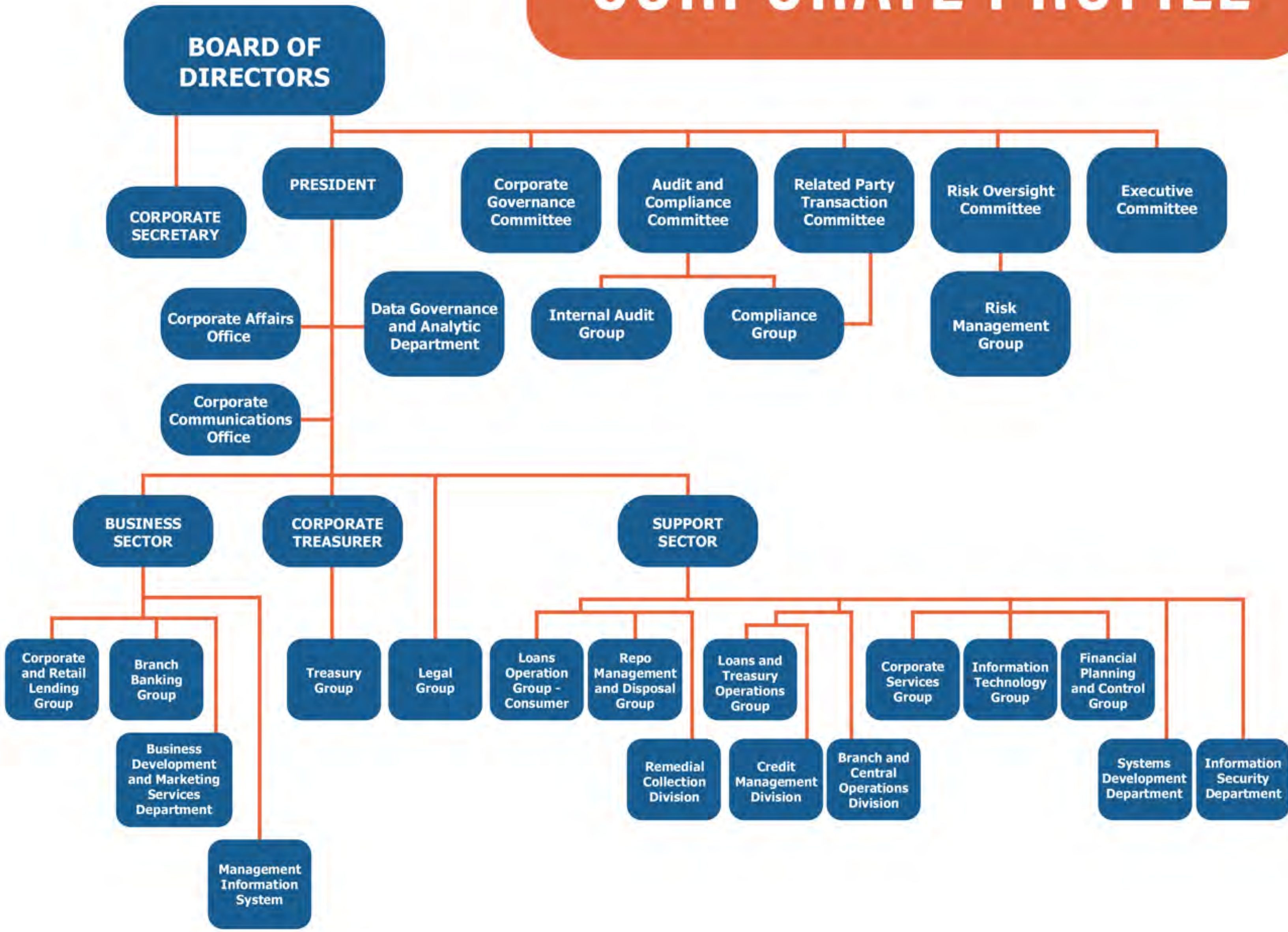
Total Tier 1 Capital

	2022	2021
Paid-up Common Stock	5,000,000	5,000,000
Retained Earnings	7,676,398	6,900,511
Undivided Profits	3,211,380	2,784,409
Gross Amount	**15,887,778**	**14,684,920**
Deductions:		
Deferred Tax Asset	631,412	544,916
Net unrealized losses on FVOCI	12,189	0
Total Deductions	**643,601**	**544,916**
Total Tier 1 Capital	**15,244,177**	**14,140,004**

Total Tier 2 Capital

	2022	2021
Net Unrealized Gains on FVOCI	0	510
General Loan Loss Provision	320,574	274,371
Gross Amount	**320,574**	**274,881**
Deductions:		
Total Deductions	**0**	**0**
Total Tier 2 Capital	**320,574**	**274,881**

CORPORATE PROFILE



BOARD OF DIRECTORS

Thomas C. Ongtenco

Age	66
Nationality	Filipino
Education	Bachelor of Science in Electronics and Communications Engineering, University of the East
Current position in the Bank	Chairman/ Non Executive Director
Date of First Appointment	Per previous ARAC April 8, 2005 Per BIO Pres/Dir 10/1/2001
Directorship in other Companies	• Moneyline Lending Investors Inc. • Transnational Properties, Inc. • Transnational Investors Corp. • Broadvue Traders, Inc. • Monacor, Inc. • Haodeng Holdings, Inc. • Veradex Development Corporation • Motortrade Topline, Inc. • BMI Finance Corporation • Motorjoy Depot Inc.
Other Current Position	• President, Transnational Properties, Inc. • President, Monacor, Inc. • President, Motrotrade Topline, Inc. • President, BMI Finance Corporation • President, Motorjoy Depot Inc. • Corporate Secretary, OSM Citycars, Inc.
Previous Company Positions	• Director, Motortrade Nationwide Corp. • Director & Treasurer, Intertrust Finance Corp. • Director, Oiltech Resources, Inc. • Director, Intertrade Credit Corp. • Director, Northpoint Development Bank

Luis M. Chua

Age	52
Nationality	Filipino
Education	Bachelor of Science in Commerce major in Accounting, University of Santo Tomas MS Computational Finance, De La Salle University Manila Master of Business Administration (Underthesis), University of Sto Tomas
Current position in the Bank	President/ Executive Director
Date of First Appointment	June 23, 2017
Directorship in other Companies	None
Other Current Position	Faculty Member of AMV College of Accountancy
Previous Company Positions	• Faculty Member, UST-Faculty of Arts and Letters • Faculty Member, St. Paul College of Manila • Audit In Charge, SGV & CO., CPAs • Manager, Diners Card Corporation • Manager, Security Bank Corporation • Manager II, United Coconut Planters Bank • Reviewer, Center for Training and Development, Inc. • Assistant Vice President, Citibank • Bank Officer I, Bangko Sentral ng Pilipinas • Head-Audit and Compliance Group, Bank of Makati (A Savings Bank), Inc. • Head-Controllership Group, Bank of Makati (A Savings Bank), Inc. • Support Sector/Acting Sector Head, Bank of Makati (A Savings Bank), Inc.

Ramon B. Manzana

Age	66
Nationality	Filipino
Education	Bachelor of Science in Electronics and Communications Engineering, University of the East Certificate in Business Economics, University of Asia and Pacific Strategic Business Economics Program, University of the East
Current position in the Bank	Executive Director
Date of First Appointment	October 22, 2001
Directorship in other Companies	• Director, Transnational Investors Corporation • Director, Honda Prestige Traders Inc. • Director, Veradex Development Corporation • Chairman of the Board, Motorjoy Depot Inc. • Chairman of the Board, Northpoint Development Bank • Chairman of the Board, OSM City Cars Inc. • Chairman of the Board, Sentai Holdings Inc. • Chairman of the Board, MOS Autosolutions Inc. • Chairman of the Board, Aisen Prime Holdings Inc. • Chairman of the Board, Uplift Cares Movement Foundation Inc. • Chairman of the Board, Tanglaw ng Buhay Foundation • Vice Chairman, CCF Life Academy Inc. • Trustee, Christ Commission Foundation Inc.
Other Current Positions	• President, Honda Prestige Traders Inc. • President, Veradex Development Corporation • President, Uplift Cares Movement Foundation Inc. • Vice President, Christ Commission Foundation Inc. • Corporate Treasurer, The Masters Academy
Previous Company Positions	• Trustee, Christ Commission Foundation Inc. • Treasurer, Christ Commission Foundation Inc. • Vice President, Christ Commission Foundation Inc. • Trustee, CCF Ministries Inc. • Treasurer, CCF Ministries Inc. • Vice President, CCF Ministries Inc. • President, Uplift Movement Foundation Inc. • President, Federation of Metro Manila Rural Bank • Treasurer, Rural Bank Association of the Philippines • Executive Assistant to President, Motortrade Nationwide Corporation • Product Manager/Sales Coordinator, Minitronics Incorporated

Victor C. Ongtenco

Age	53
Nationality	Filipino
Education	Bachelor of Industrial Design, Carleton University, Canada
Current position in the Bank	Executive Director
Date of First Appointment	June 18, 2021
Directorship in other Companies	Director, Veradex Development Corporation
Other Current Positions	• Business Development Head, Motortrade Nationwide Corporation • Vice President, Veradex Development Corporation • President, Transnational Properties, Inc.
Previous Company Positions	• Executive Vice President, Transnational Properties, Inc. • Director, Northpoint Development Bank, Inc.

Shirley M. Sangalang

Age	63
Nationality	Filipino
Education	Bachelor of Science in Business Administration – Major in Accounting, University of the East Master in Business Economics, University of Asia & The Pacific
Current position in the Bank	Independent Director
Date of First Appointment	April 13, 2021
Directorship in other Companies	Director of Lipa Bank Board of Trustee of University of Asia & The Pacific
Other Current Position	None
Previous Company Positions	• Director, Mary Mediatrix Medical Center • Senior Vice President, BDO Unibank Inc. • Budget & System Officers Summa International Bank • Auditor, SGV

Sofia C. Ladores

Age	68
Nationality	Filipino
Education	Bachelor of Science in Legal Management, PUP Sta Mesa Master of Business Administration (Candidate), De La Salle University Advance Bank Management Program, Asian Institute of Management
Current position in the Bank	Independent Director
Date of First Appointment	June 18, 2021
Directorship in other Companies	None
Other Current Positions	None
Previous Company Positions	• Head, Credit Risk Management (RMG), Philippine National Bank • Head, Business Risk Management Division (BRMD), Landbank of the Philippines • Business Continuity Officer (BCO) (On Current Capacity), Landbank of the Philippines • OIC – Risk Management Group (RMG), Landbank of the Philippines • Data Protection Officer (DPO) (On Current Capacity), Landbank of the Philippines • Chief Risk Officer, Landbank of the Philippines

Martin G. Tengco Jr.

Age	57
Nationality	Filipino
Education	Bachelor of Science in Business Administration Major in Accounting, Philippine School of Business Administration - Manila Master in Business Administration, Ateneo De Manila University/ Regis University - USA
Current position in the Bank	Independent Director
Date of First Appointment	June 17, 2022
Directorship in other Companies	None
Other Current Positions	Chief Audit Executive, BancNet, Inc.
Previous Company Positions	• Head, IT Audit, Allied Banking Corporation • Business Continuity Coordinator, Allied Banking Corporation • Audit Committee Member, BancNet, Inc. • Deputy Chief Audit Executive/IT Audit Head, Allied Banking Corporation • Deputy Chief Audit Executive/IT Audit Division Head, Philippine National Bank • Chief Audit Executive (CAE), Philippine National Bank

Atty. Generosa R. Jacinto / Corporate Secretary

Florido P. Casuela / Senior Adviser

Shirley O. Tan

Age	59
Nationality	Filipino
Education	Bachelor of Science in Commerce Major in Accounting, University of Santo Tomas
Current position in the Bank	Senior Vice President Corporate Treasurer
Current Position in other Company	Independent Director, Fruitas Holdings Inc.
Relevant Experiences	• Treasury Group Head, Bank of Makati (Jan 2003 - April 2014) • Acting Corporate Treasurer, Bank of Makati (Sep 2013 - April 2014) • Officer, Technoclan Mgt. Corp. (Aug 2002 – Dec 2002) • Manager AM, UOB Philippines (Sep 1999 - July 2002) • Accountant, Wesmont/UOB Philippines (Dec 1997 - Sept 1999) • Trainee, Wesmont Bank JOTP (March 1997 - Dec 1997) • Accountant, Pacific Mills Inc. (June 1995 - March 1997) • A/P Payroll, Standard Electric Mfg. (Jan 1991 - March 1992) • A/R Inventory Advtsg, Standard Appliances Corporation (June 1988 - Dec 1990) • S/A Bookkeeper, PHILTRUST Bank (Dec 1985 - April 1988)

Angel G. Muyot Jr.

Age	63
Nationality	Filipino
Education	Bachelor of Science in Business Administration, Adamson University
Current position in the Bank	Senior Vice President Head – Branch Banking Group
Current Position in other Company	None
Relevant Experiences	• Area Head, Security Bank Corporation, (Apr 2003 - Dec 2015) • Sales Force Head, Security Bank Corporation, (2000 - 2003) • Branch Manager (1993 - 2000) Philippine Commercial International Bank (PCIB) • Project Streamline/Branch Support (1990 - 1993), PCIB • Branch Operation Head (1985 - 1986 & 1998 - 1990), PCIB • Sales Head (1986 - 1988), PCIB • LND Foreign Bookkeeper/Branch Accountant (1984 - 1985), PCIB • Import Export Processor (1983 - 1984), PCIB • General Acconting Clerk (1982 - 1983), PCIB • Settling Clerk/Distributing Clerk (1981 - 1982), PCIB

Executive & Senior Officers Management

Rowell A. Umali

Age	38
Nationality	Filipino
Education	Bachelor of Science in Accountancy, Polytechnic University of the Philippines
Current position in the Bank	Vice President, Head - Financial Planning and Control Group
Current Position in other Company	None
Relevant Experiences	• Acting Head – Controllership Group, Bank of Makati (Oct 2012 - March 2014) • Head – Financial and Management Accounting Division, Bank of Makati (March - Sept 2012) • Audit Manager, U Bix Corporation (Aug 2010 - March 2012) • Audit Senior, Punongbayan & Araullo (Nov 2005 - July 2010)

Rosa Maria D. Tumangday

Age	59
Nationality	Filipino
Education	Bachelor of Science in Business Administration Major in Accounting, University of the East
Current position in the Bank	Vice President, Chief Audit Executive
Current Position in other Company	None
Relevant Experiences	• IAG Head, Bank of Makati (April 2016 - October 2019) • Asset Management Operations Head, BDO Unibank Inc. (Jan - Dec 2014) • Branch Audit Department Head - Security Bank Corporation (June 2004 - Dec 2013) • Branch Audit Team Leader, Security Bank Corporation (May 2001 - May 2004) • Branch Audit Examiner, Security Bank Corporation (August 1990 - April 2001) • Accountant, VM Management Group of Companies (June 1987 - July 1990) • Accountant, Cascade Commercial Corporation (April 1985 - July 1987)

Irish Janne B. Escio

Age	40
Nationality	Filipino
Education	Bachelor of Science in Accountancy, Ateneo de Naga University
Current position in the Bank	First Assistant Vice President Chief Compliance Officer
Current Position in other Company	None
Relevant Experiences	• Acting Chief Compliance Officer, Bank of Makati (May 2018 – Nov 2018) • Regulatory Compliance Department Head, Bank of Makati (concurrent) • Chief Compliance Officer, Citystate Savings Bank, Inc. (June 2013 – Apr 2018) • Compliance, MIS, and Budget Analyst, BDO Leasing & Finance, Inc. (April 2006 - October 2011)

Teresita E. Cheng

Age	72
Nationality	Filipino
Education	Bachelor of Science in Agricultural Chemistry, UPLB Institute of Chemistry Master in Business Management, Asian Institute of Management Master in Science in Chemistry, UPLB Graduate School Advance Bank Management Course, Asian Institute of Management
Current position in the Bank	Vice President, Chief Risk Officer
Current Position in other Company	None

Relevant Experiences

- Chief Risk Officer, Procedures Savings Bank Corporation (October 2016 – October 2020)
- Director, PBCOM Rural Bank, Inc. (July 2019 – October 2020)
- Director, Peoples Bank of Caraga, Inc. (A Rural Bank) (July 2019 – October 2020)
- Instructor, University of the Philippines Los Banos (April 1971 – December 1989
- Board Member, Land Bank Insurance Brokerage Incorporated (Feb 2015 – Nov 2016)
- First Vice President/Head of RMG/Chief Risk Officer (Oct 2009 – Feb 2016)
- Vice President, Head of RMG (Feb 2006 – Sept 2009)
- AVP, Head of Risk Management Group, Officer-in-Charge CPRMD (On Concurrent Capacity) (Oct 2004 – Feb 2006)
- AVP, Head – Credit Policy & Risk Management Department (CPRMD) (April 2002 – Oct 2004)
- AVP, Head – NCR Lending Centers B & C (July 2000 – March 2002)
- AVP, Head – Area Lending Center I (Jan 1999 – June 2000)
- Assistant Vice President/SAP (Jan 1994 – Dec 1998)
- Bank Executive Office (BEO) III/ SAP (April 1993 – Jan 1994)
- BEO I/Specialist Assistant to the President (SAP) (Jan – March 1993)
- BEO I/ Account Officer – Account Management Department II (Jan 1992 – Jan 1993)
- Bank Executive Office (BEO) I/ Account officer – Account Management Department I (June 1991 – Jan 1992)
- Management Trainee (Jan 1990 – May 1991)

Atty. Carlo Calixto D. Dugayo

Age	41
Nationality	Filipino
Education	AB Political Science, University of Santo Tomas Bachelor of Laws, University of Santo Tomas Master of Business Administration, San Beda College
Current position in the Bank	Vice President Chief Legal Officer
Current Position in other Company	None

Relevant Experiences

- Legal Officer, Universal Robina Corporation - (A JG Summit Company) (Mar 2013 - Oct 2013)
- Legal Officer, Philippine Deposit Insurance Corporation (Feb 2012 - Feb 2013)
- Associate Lawyer, De Guzman Dionido Caga Jucaban & Associates Law Office (Sept 2007 - Jan 2012)
- Associate Lawyer, Lazaro Law Firm (July 2006 - July 2007)
- Legal Researcher/Legal Intern, Caraan & Associates Law Office (Feb 2006 - July 2006)



Alda R. Bañez

Age	62
Nationality	Filipino
Education	Bachelor of Science in Business Administration major in Accounting, University of the East Bachelor of Science in Business Administration major in Banking and Finance, University of the East Master of Business Administration, Land Bank Top Executive Program
Current position in the Bank	First Vice President, Head - Treasury Group
Current Position in other Company	Director, Dela Torre & Company
Relevant Experiences	• Vice President, Head Treasury Group, Bank of Makati (Feb 2014 - Nov 2015) • Vice President, Philippine Postal Savings Bank (July 2006 - April 2012) • Assistance Vice President , Land Bank of the Philippines (Sep 1990 - July 2003)

Jo D. Borromeo

Age	57
Nationality	Filipino
Education	Bachelor of Science in Civil Engineering, Central Philippine University
Current position in the Bank	Vice President, Head - Repo Management and Disposal Group
Current Position in other Company	None
Relevant Experiences	Bank of Makati • Head – Credit Investigation and Collections Group (Feb 2014 - May 2016) • Head – Credit Collection and Remedial Group (CCRG) (Jan 2010 - Jan 2014) Motortrade Nationwide Corporation • National Collection Manager (Jan 2008 – Dec 2009) • Regional Manager (Sept 2004 - Dec 2009) • Area Manager (Jan 1995 - Aug 2004)

Angelito C. Chua

Age	48
Nationality	Filipino
Education	Bachelor of Science in Clinical Psychology, Polytechnic University of the Philippines - Manila
Current position in the Bank	Vice President Head - Corporate Services Group
Current Position in other Company	None
Relevant Experiences	• Acting Head – Corporate Services Group, Bank of Makati (Dec 2012 - Sept 2013) • Head – Human Resources Dept, Bank of Makati (Aug 2010 - Dec 2012) • HR Specialist, Zamil Industrial Investment Co. (July 2008 - Aug 2010) • HR and Admin. Manager, Hytech Integrated Products Inc. (April 2005 - July 2008) • Human Resource Department Head, Furnimaxx Int'l Co. Ltd. (Feb 2003 - March 2005) • Career Management Associate, Philippine Savings Bank (May 1996 - July 2002)

Sean Ivan Vernier W. Valentin

Age	62
Nationality	Filipino
Education	Business Management, San Beda College
Current position in the Bank	Vice President, Head - Loans and Treasury Operations Group
Current Position in other Company	None

Relevant Experiences

Bank of Makati
- Head – Credit Support Group (SAVP) - (April 2014 – December 2015)
- Head – Credit Support Group (FAVP) – (September 2013 – April 2014)
- Acting Head – CRSG (AVP) – (December 2012 – September 2013)
- Head – Loans Operations Dept 2– (November 2010 – December 2012)
- Head – Loans Operations Dept 3 – (January 2010 – December 2012
- Head – Branch Lending Dept – (July 2007 – January 2010)
- Head – Business Development Dept – (September 2005 – July 2007)
- Consultant – Maxon System Phil – (April 2002 – August 2005)
- Manager – Metropolitan Bank and Trust Co - (October 1988 – March 2022)

Eleanor P. Javier

Age	47
Nationality	Filipino
Education	Bachelor of Science in Mass Communication, Pamantasan ng Lungsod ng Maynila
Current position in the Bank	Vice President, Group Head - Loans Operations Group (Consumer)
Current Position in other Company	None

Relevant Experiences

- Senior Assistant Vice President, Head – Loans Operations Group (Consumer) Bank of Makati (September 2019 – September 2020)
- Assistant Vice President, Head – Loans Operations Group (Consumer), Bank of Makati (April 2014 – August 2019)
- Department Head – Lending Center Department (Concurrent), Bank of Makati (May 2011 - August 2015)
- System Officer, Bank of Makati (June 2008 – April 2011)
- New Accounts Processor, Rizal Commercial Banking Corporation (RCBC) (1996 - 1999)
- Remittance Processor (1999 - 2000) and Operations Analyst, RCBC (2000 - 2008)

Alen Roie T. Tatco

Age	40
Nationality	Filipino
Education	Bachelor of Science in Computer Science, San Sebastian College – Recoletos Manila
Current position in the Bank	First Assistant Vice President, Head - Information Technology Group
Current Position in other Company	None

Relevant Experiences

Bank of Makati
- Acting Head - Information Technology Group (Oct 2018 - Apr 2019)
- BASSD Department Head (Jan 2013 - Apr 2019)
- BASSD Application Systems Engineer (April 2006 - December 2012)
- BASSD Production Support Engineer (Oct 2005 - Mar 2006)
- BASSD Programmer (Jan - Oct 2005)
- Junior Programmer, Virjen Shipping Corporation (Oct 2003 - Jan 2005)
- MIS Assistant, Ever Gotesco and Holdings Inc. (Dec 2002 - Oct 2003)
- Technical Support Assistant, Ever Group Stores (June 2002 - Nov 2002)

The Management Committee

Department	Name	Position
Office Of The President	Diosdado M. Suba	Corporate Affairs Office Head
	Jewel Therese G. De Veyra	Corporate Communications Head
	---	Data Governance and Analysis Department Head
Treasury Group	Shirley O. Tan	Corporate Treasurer
	Alda R. Banez	Treasury Group Head
	Susan U. Tan	Treasury Marketing Department Head
	Diana C. Ng	Fund Management Department Head
Legal Group	Atty. Carlo Calixto D. Dugayo	Legal Group Head
	Atty. Jammelle Marie A. Guco	Legal Advisory And Documentation Department Head
	Atty. Jommel P. Jaucian	Litigation & Other Legal Support Department Head
	Atty. Marydale C. Manato	Data Protection Officer Head
Internal Audit Group	Rosa Maria G. Tumangday	Internal Audit Group Head
	Gabriel Z. Punsalan	IT Audit Department
	Homer Ben T. Hermosura	Head Office Audit Acting Department Head
	James Kenneth V. Llaunderes	Field Audit Department Head
	Katrina D. Ancheta	Quality Assurance Audit Department Head
Compliance Group	Irish Janne B. Escio	Compliance Group Head
	Gibson B. Uy	Regulatory Compliance Department Head
	Alma D. Paculanan	Anti-Money Laundering Department Head
Risk Management Group	Teresita E. Cheng	Risk Management Group Head
	Ruelito L. Motas	Operational Risk Management Department Head
	---	Credit Risk Management Department
	Marcial A. Bongolan	Market and Liquidity Risk Management Department
Business Sector		
Corporate & Retail Lending Group	Ana Maria L. Paras	Commercial Lending Division (CLD)
	Yllona Jane E. Magno	CLD Area 1 North Head
	Jessica Angela A. Naquimen	CLD Area 2 NCR Head
	Edwin I. Maghirang	CLD Area 3 Head
	John Martin T. Villanueva	Real Estate and Consumer Lending Division Head
	Analiza K. Ramos	Real Estate Section Head
	Carlos M. Lumbo	MPL and Vehicle Loan Section Head
	Daryl E. Sandoval	Micro and Small Lending Area 1 Head
	Randy B. Cartabio	Micro and Small Lending Area 2 Head

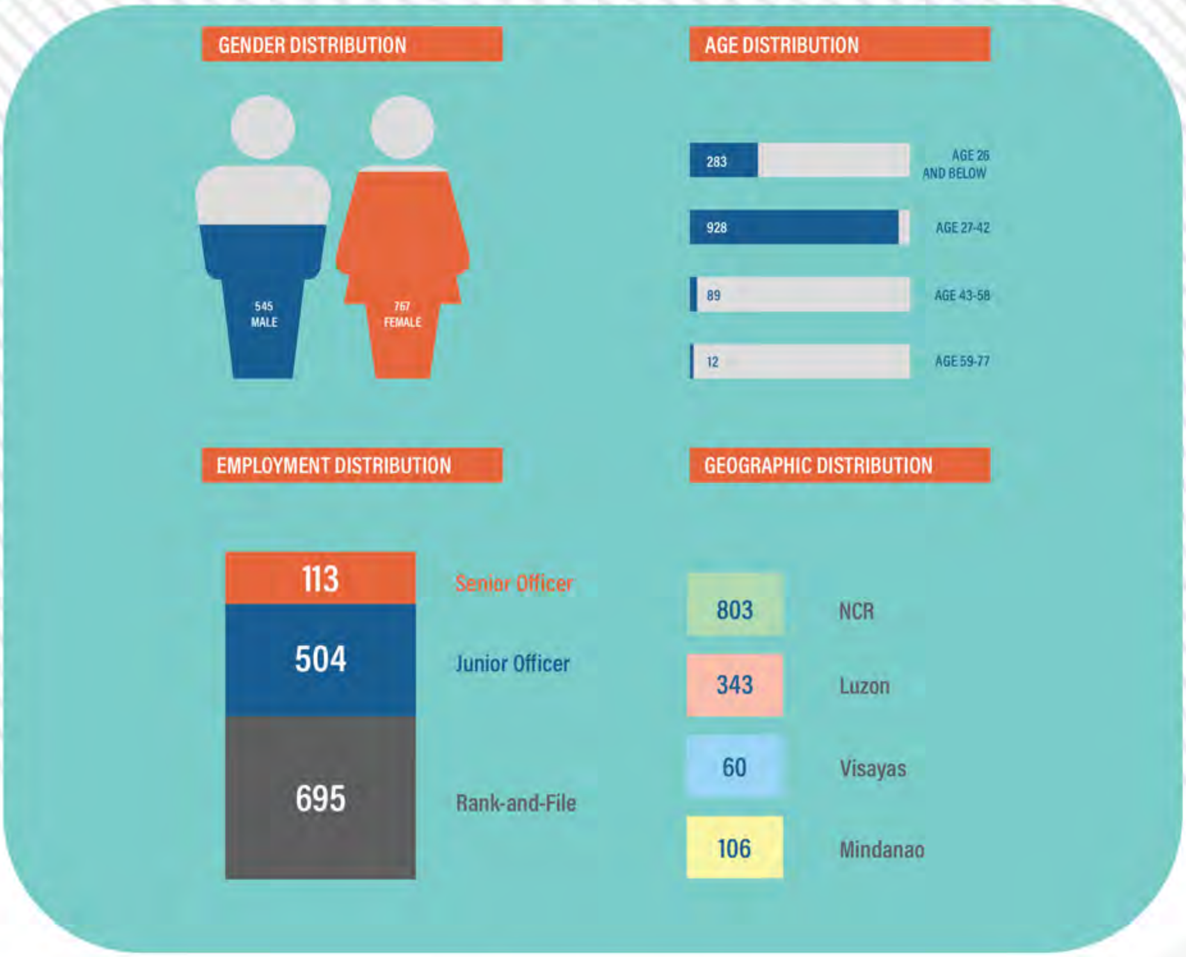
Branch Banking Group	Angel G. Muyot Jr.	Branch Banking Group Head
Area 1	Socorro R. Yabut	Area Head - South Luzon Branches
	Danilo O. Gayeta Jr.	Batangas Branch Head
	Maria Lanlet A. Cajipe	Binan Branch Head
	Darwin C. Zamora	Calapan Branch Head
	Christian P. Enriquez	Daet Branch Head
	Emily M. Dyer	Dasmariñas Branch Head
	Jogie F. Fabellano	Las Pinas Branch Head
	Celeste B. Carig	Lipa Branch Head
	Sherry Lyn B. Maranan	Lucena Branch Head
	Dominador James V. Caluen	Muntinlupa Branch Head
	Lane Sean M. Ballesteros	Naga Branch Head
	Gil Bryan M. Chiang	Palawan Branch Head
	Aloha A. Mangunay	San Pablo Branch Head
	Jeddah Cindy A. Jasmin	Zapote Branch Head
	Jeraldin D. Carlos	Legazpi Branch Head
Area 2	Angelo Michael C. Plata	North Luzon Area Head
	Celeste L. Del Rosario	Bataan Branch Head
	Michael D. Serafica	Cabanatuan Branch Head
	Gina C. Zareno	Dagupan Branch Head
	---	La Union Branch Head
	Charlie G. Mata	Laoag Branch Head
	Robin M. Dungo	Pampanga Branch Head
	Randy U. Valiente	Santiago Branch Head
	Roselyn D. Adalid	Tarlac Branch Head
	Maria Victoria E. Lim	Tuguegarao Branch Head
	Sheryl M. Verdeflor	Urdaneta Branch Head
	---	Vigan Branch Head
Area 3	Paul R. Benemerito	Visayas and Mindanao Area Head
	Norberto R. Valerio	Bacolod Branch Head
	Cynthia Mae I. Ramirez	Butuan Branch Head
	Elmer B. Ang	Cagayan De Oro Branch Head
	Michael V. Delda	Cebu Branch Head
	Azineth C. Panga	Davao Branch Head
	Olibert D. Flores	General Santos Branch Head
	Chloe C. David	Iloilo Branch Head
	Reynaldo A. Dehunlay	Pagadian Branch Head

	April Jen Karen N. Reposar	Tacloban Sales Officer
	---	Tagum Branch Head
	Michael C. Paloma	Valencia Branch Head
	Luis M. Navarro	Zamboanga Branch Head
Area 4	Alvin P. Del Ponso	Metro Manila Area Head
	Baby Boy O. Presado	Antipolo Branch Head
	Rosal G. Jurado	Caloocan Branch Head
	Giovanni Roel Trocio	Ayala-Main Branch Head
	Jerico M. Liamzon	Marikina Sales Officer
	Jefferson P. Dumandan II	Marcos High-way Branch Head
	Ma. Celeste L. Betonio	Rodriguez Branch Head
	Christian O. Sevilla	Grace Park Branch Head
	Luisito F. Santiago	Baliuag Branch Head
	Monica Bianca A. Castro	Malolos Branch Head
	Hazell P. Santiago	Meycauayan Branch Head
	Dianne Louie F. Madamba	Valenzuela Branch Head
Area 5	Charlie V. Mendoza	MicroFinance Area Head
	Camille O. Mercolita	Buendia Branch Head
	Mar Ann H. Dimaapi	Commonwealth Branch Head
	---	Kalentong Branch Head
	Kirby V. Canullas	Greenhills Branch Head
	Henery Ann I. Estorninos	Camarin Branch Head
	Katrina M. Lacaba	Baclaran Branch Head
	---	Blumentritt Branch Head
	Ethel Marie D. Impelido	Guadalupe Branch Head
	Corazon E. Pinero	Retiro Branch Head
	---	Roosevelt Branch Head
	Janice Ann M. Salcedo	Cubao Branch Head
	Jonathan U. Mangllalan	Pasig Branch Head
	---	Evangelista Branch Head
	---	Pasay Branch Head

Support Sector

Loans Operations Group	Eleanor P. Javier	Loans Operations Group Head
	Maria Dolor D. Remolacio	Loan Management Department Head
	Marisa A. Yap	Loan Operations Review And Support Department Head
	Jomilyn D. Obillo	Credit Authorization Department Head
	Rosalie L. Sandoval	Loans Operation Department 1 Head
Repo Management & Disposal Group	Jo D. Borromeo	Repo Management & Disposal Group Head
	Ma. Jhoan G. Crame	Customer Center Management Section Head (CCMD)
	Darius V. Albarina	Repo Management And Disposal Department Head
Remedial Collection Division	Rene A. Centeno	Remedial Collection Division Head
	Sherwin L. Operio	Remedial Collection Department Head
	Abner Y. Ferrer	Collection And External Accounts Department Head
Loans and Treasury Group	Sean Ivan Vernier W. Valentin	Loans and Treasury Group Head
	Fermilette D. Gutierrez	Loan Operations Department 2 Head
	Kathryn Joy G. Bautista	Institutional Borrowing Department
	Luz G. Vallejera	CRLG Remedial And Disposal Department Head
Credit Management Division	Imelda R. Dela Cruz	Consumer Credit Acting Department Head
	Lilybeth D. Patulot	Credit Evaluation And Policy Department Head
	Mary Pops A. Nuestro	Micro Small Credit Department Head
	Ruby G. Benito	Credit Investigation Department Head
	Rhoderick N. Delmoro	Credit Appraisal Department Head
Branch & Central Operations Division	Joselito S. Mendoza	Branch Banking Operations Acting Department Head
	Maria Ramona C. Fajardo	Central Support Operations Department Head
Corporate Services Group	Angelito C. Chua	Corporate Services Group Head
	Myla S. Dela Paz	General Services Admin Department Head
	Michael L. Adan	Facilities & Property Management Department Head
	Exxon B. Salas	Safety And Security Department Head
Information Technology Group	Allen Roie T. Tatco	Information Technology Group Head
	Sarah M. Cayabyab	Business Application Systems Support Dept. Head
	Alex S. Opida	Desktop, Network, And Access Department Head
	Artemio B. Calderon	System Administration Department Head
	Adrian S. Danes	Data Center Operations Department Head

Financial Planning & Control Group	Rowell A. Umali	Financial Planning and Control Group Head
	Rodolfo B. Mati III	Accounting Division Head
	Oliver B. Guinto	Branch Accounting And Reconciliation Department Head
	Rosemarie O. Darbin	Financial Accounting Department Head
	Reynald E. Tomas	Corporate Planning and Regulatory Compliance Department Head
	Maria Andrea V. Glinoga	Loans Treasury and Accounting Department OIC
Systems Development Department	Jennifer L. Suico	Systems Development Department Head
Information Security Department	Ma. Melyn B. Ramos	Information Security Department Head
Business Development and Marketing Services Department	Jose Enrico T. Sandoval	Business Development and Marketing Services Department Head



EMPLOYEE PROFILE

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Report of Independent Auditors

The Board of Directors
Bank of Makati (A Savings Bank), Inc.
Bank of Makati Building
Ayala Avenue near corner Metropolitan Avenue
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Makati (A Savings Bank), Inc. (the Bank), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the years ended December 31, 2022 and 2021 required by the Bangko Sentral ng Pilipinas, and for the year ended December 31, 2022 required by the Bureau of Internal Revenue, as disclosed in Notes 24 and 25 to the financial statements, respectively, is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit 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.

PUNONGBAYAN & ARAULLO

By: **Maria Isabel E. Comedia**
Partner

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 9566629, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-021-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 11, 2023

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
RESOURCES			
CASH	7	**P 126,910,755**	P 117,680,451
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	**2,554,667,407**	6,114,137,502
DUE FROM OTHER BANKS	7	**283,995,059**	285,254,259
INVESTMENT SECURITIES - Net	8	**10,351,821,037**	6,153,695,113
LOANS AND RECEIVABLES - Net	9	**34,999,052,078**	32,105,503,533
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	10	**115,302,001**	120,996,506
RIGHT-OF-USE ASSETS - Net	11	**73,396,666**	113,559,465
ASSETS HELD FOR SALE - Net	12	**321,568,974**	364,175,140
INVESTMENT PROPERTIES - Net	13	**165,652,747**	206,977,414
DEFERRED TAX ASSETS - Net	21	**530,212,266**	486,154,508
OTHER RESOURCES - Net	14	**186,914,783**	231,718,636
TOTAL RESOURCES		**P 49,709,493,773**	P 46,299,852,527
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	15	**P 32,304,890,717**	P 30,475,013,159
ACCOUNTS PAYABLE AND OTHER LIABILITIES	16	**1,649,643,916**	1,127,854,280
Total Liabilities		**33,954,534,633**	31,602,867,439
EQUITY	17		
Capital stock		**5,000,000,000**	5,000,000,000
Retained earnings		**10,866,828,203**	9,676,397,943
Revaluation reserves		**(111,869,063)**	20,587,145
Total Equity		**15,754,959,140**	14,696,985,088
TOTAL LIABILITIES AND EQUITY		**P 49,709,493,773**	P 46,299,852,527

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
INTEREST INCOME			
Loans and receivables	9	**P 8,306,044,668**	P 7,998,500,973
Investment securities	8	**405,668,394**	136,850,642
Due from Bangko Sentral ng Pilipinas and other banks	7	**119,022,331**	136,326,499
		8,830,735,393	8,271,678,114
INTEREST EXPENSE			
Deposit liabilities	15	**869,341,193**	701,237,526
Lease liabilities	11	**7,931,376**	11,297,926
Others	19	**4,469,700**	4,613,200
		881,742,269	717,148,652
NET INTEREST INCOME		**7,948,993,124**	7,554,529,462
IMPAIRMENT LOSSES			
Financial assets	8, 9	**1,474,973,715**	1,359,433,057
Non-financial assets	12	**285,309,035**	385,989,416
		1,760,282,750	1,745,422,473
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**6,188,710,374**	5,809,106,989
OTHER OPERATING EXPENSES	18	**(3,152,749,291)**	(3,140,733,772)
OTHER OPERATING INCOME	18	**1,210,037,406**	1,044,621,331
PROFIT BEFORE TAX		**4,245,998,489**	3,712,994,548
TAX EXPENSE	21	**1,055,568,229**	937,107,179
NET PROFIT		**P 3,190,430,260**	P 2,775,887,369

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
NET PROFIT		**P 3,190,430,260**	P 2,775,887,369
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss			
Gain (loss) on remeasurements of defined benefit plan	19	**(16,499,400)**	33,761,700
Fair value losses on equity securities classified at fair value through other comprehensive income (FVOCI)	8	**(13,322,050)**	(2,666,849)
Tax income (expense)	21	**4,124,850**	(9,113,925)
		(25,696,600)	21,980,926
Items that will be reclassified subsequently to profit or loss	8		
Fair value loss on debt securities classified at FVOCI		**(106,759,608)**	(39,544,395)
Expected credit losses on debt securities classified as FVOCI		**-**	54,225
		(106,759,608)	(39,490,170)
Total Other Comprehensive Loss - Net of Tax		**(132,456,208)**	(17,509,244)
TOTAL COMPREHENSIVE INCOME		**P 3,057,974,052**	P 2,758,378,125

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

			Revaluation Reserves				
	Capital Stock (see Note 17)	**Retained Earnings** (see Note 17)	**Unrealized Fair Value Gains (Losses) on Financial Assets** (see Note 8)	**Remeasurements of Defined Benefit Plan** (see Note 19)	**Share in Other Comprehensive Loss of Investment in Associate** (see Note 12)	**Total**	**Total Equity**
Balance at January 1, 2022	P 5,000,000,000	P 9,676,397,943	P 4,694,869	P 15,892,276	P -	P 20,587,145	P 14,696,985,088
Dividends declared during the year	-	(2,000,000,000)	-	-	-	-	(2,000,000,000)
Total comprehensive income (loss) for the year							
Net profit during the year	-	3,190,430,260	-	-	-	-	3,190,430,260
Other comprehensive loss	-	-	(120,081,658)	(12,374,550)	-	(132,456,208)	(132,456,208)
Balance at December 31, 2022	**P 5,000,000,000**	**P 10,866,828,203**	**(P 115,386,789)**	**P 3,517,726**	**P -**	**(P 111,869,063)**	**P 15,754,959,140**
Balance at January 1, 2021	P 5,000,000,000	P 8,900,510,574	P 46,851,888	(P 8,755,499)	(P 1,981,056)	P 36,115,333	P 13,936,625,907
Dividends declared during the year	-	(2,000,000,000)	-	-	-	-	(2,000,000,000)
Reversal of share in other comprehensive loss of associate due to disposal	-	-	-	-	1,981,056	1,981,056	1,981,056
Total comprehensive income (loss) for the year							
Net profit during the year	-	2,775,887,369	-	-	-	-	2,775,887,369
Other comprehensive income (loss)	-	-	(42,157,019)	24,647,775	-	(17,509,244)	(17,509,244)
Balance at December 31, 2021	P 5,000,000,000	P 9,676,397,943	P 4,694,869	P 15,892,276	P -	P 20,587,145	P 14,696,985,088

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 4,245,998,489	P 3,712,994,548
Adjustments for:			
Interest income	7, 8, 9	(8,830,735,393)	(8,271,678,114)
Interest received		8,352,358,709	8,122,398,275
Impairment losses	8, 9, 12	1,760,282,750	1,745,422,473
Interest expense	11, 15, 19	881,742,269	717,148,652
Interest paid		(720,994,441)	(850,242,374)
Gain on sale of properties - net	12, 13, 18	(453,780,440)	(115,879,648)
Depreciation and amortization	10, 11, 13, 14	140,901,814	174,412,646
Realized gain on disposal of investment securities	8, 18	-	(1,756,745)
Operating profit before changes in resources and liabilities		5,375,773,757	5,232,819,713
Increase in loans and receivables		(4,449,333,550)	(1,537,470,426)
Decrease (increase) in assets held for sale		139,972,574	(346,817,668)
Decrease in investment properties		93,248,210	28,095,857
Decrease in other resources		11,003,432	74,762,207
Increase in deposit liabilities		1,677,061,106	1,176,729,429
Increase (decrease) in accounts payable and other liabilities		548,863,453	(286,457,086)
Cash from operations		3,396,588,982	4,341,662,026
Cash paid for income taxes		(1,096,115,749)	(827,952,874)
Net Cash From Operating Activities		2,300,473,233	3,513,709,152
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income (FVOCI)	8	(3,232,670,000)	(4,997,590,000)
Acquisitions of investment securities at amortized cost	8	(1,675,710,000)	(50,000,000)
Interest received on investment securities	8	405,668,394	136,850,642
Proceeds from maturities of investment securities at amortized cost	8	395,730,889	230,360,286
Proceeds from disposal of FVOCI	8	75,000,000	716,676,745
Acquisitions of bank premises, furniture, fixtures and equipment	10	(24,555,704)	(22,439,062)
Acquisitions of intangible assets	14	(2,528,916)	(15,337,744)
Proceeds from disposal of investment in associate	12	-	1,002,018,944
Net Cash Used in Investing Activities		(4,059,065,337)	(2,999,460,189)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends	17	(2,000,000,000)	(2,000,000,000)
Repayments of lease liabilities	11	(65,867,996)	(82,906,261)
Net Cash Used in Financing Activities		(2,065,867,996)	(2,082,906,261)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,824,460,100)	(1,568,657,298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7		
Cash		117,680,451	79,102,342
Due from Bangko Sentral ng Pilipinas		6,114,137,502	6,539,156,821
Due from other banks		285,254,259	1,549,294,119
Receivables arising from reverse repurchase agreement	9	2,136,928,156	2,054,430,884
		8,654,000,368	10,221,984,166
CASH AND CASH EQUIVALENTS AT END OF YEAR	7		
Cash		126,910,755	117,680,451
Due from Bangko Sentral ng Pilipinas		2,554,667,407	6,114,137,502
Due from other banks		283,995,059	285,254,259
Receivables arising from reverse repurchase agreement	9	1,863,967,047	2,136,928,156
		P 4,829,540,268	P 8,653,326,868

See Note 23 for the supplementary information on non-cash operating, investing and financing activities of the Bank.

BANK OF MAKATI (A SAVINGS BANK), INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

1. CORPORATE MATTERS

1.1 Bank Operations

Bank of Makati (A Savings Bank), Inc. (the Bank) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 20, 1956. On September 22, 1956, the Bangko Sentral ng Pilipinas (BSP) granted approval to the Bank to operate as a rural bank. The extension of the corporate life of another 50 years was subsequently approved by the SEC on April 8, 2005.

The Bank started with a capitalization of P1.0 million at its inception. At the end of 2022, the Bank's total equity reached P15.8 billion and has 62 branches (which includes 48 regular branches and 14 microfinance-oriented branches) and 40 branch-lite units.

As a banking institution, the Bank's operations are regulated and supervised by the BSP. In this regard, the Bank is required to comply with the rules and regulations of the BSP such as those relating to maintenance of reserve requirements and adoption and use of safe and sound banking practices as promulgated by the BSP.

The Bank's registered address, which was also its principal place of business, was at Bank of Makati Building, Ayala Avenue near corner Metropolitan Avenue, Makati City.

1.2 Continuing Impact of COVID-19 Pandemic on Bank's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. The measures taken by the government to contain the virus have affected the economic conditions and the Bank's business operations. The Bank has been operating at its business as usual levels, placing paramount consideration on the health and welfare of its employees, clients, and other stakeholders.

In 2022, the country's economic status improved because of reopening of local and international travels and loosening of health and safety protocols and restrictions. Demand and supply of products are slowly returning to pre-pandemic levels. As a result, overall continuing impact of the COVID-19 pandemic to the Bank is continuously improving and the Bank's operations is slowly going back to its pre-pandemic levels. The Bank has reported net profit higher by 14.9% compared to that of 2021.

Management will continue to take actions to continually improve the operations as the need arises. Based on foregoing improvements, management projects that the Bank would continue to report positive results of operations and would remain liquid to meet current obligation as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern.

1.3 Approval of Financial Statements

The financial statements of the Bank as at and for the year ended December 31, 2022 (including the comparative financial statements as at and for the year ended December 31, 2021) were authorized for issue by the Bank's Board of Directors (BOD) on April 11, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. The Bank presents statement of comprehensive income separate from the statement of profit or loss.

The Bank presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Bank's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Bank operates.

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are Relevant to the Bank

The Bank adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below are the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while brining that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Bank's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning for the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Cost that relate directly to a contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Bank's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Bank's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Bank's financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*. The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that is not Relevant to the Bank

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Bank's financial statements:

(i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework* (effective from January 1, 2022)

(ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Bank:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Current versus Non-current Classification

The Bank presents assets and liabilities in the statement of financial position based on liquidity, while current and noncurrent classifications is presented in Note 23. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Bank classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Bank commits to purchase or sell the asset).

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described in the succeeding pages.

Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met and are not designated as fair value through profit or loss (FVTPL):

- the asset is held within the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payment for principal and interest (SPPI) on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers,* all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses (ECL).

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(c)].

The Bank's financial assets at amortized cost are presented in the statement of financial position as Cash, Due from BSP, Due from Other Banks, as part of Investment Securities in respect of Investment securities at amortized cost, Loans and Receivables and as part of Other Resources in respect of Rental and utilities deposits.

For purposes of cash flows reporting and presentation, cash comprise of accounts with original maturities of three months or less, including cash, unrestricted balances of due from BSP, due from other banks and certain loans and receivables. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions and are not designated as FVTPL:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading or as mandatorily required to be classified as financial assets at FVTPL. The Bank has designated certain equity instruments as at FVOCI on initial recognition.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

The Bank can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Bank is required to reclassify financial assets: (i) from amortized cost to FVOCI, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVOCI to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria. A change in the objective of the Bank's business model will take effect only at the beginning of the next reporting period following the change in the business model.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Other Operating Income account, when the Bank's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Bank, and the amount of the dividend can be reliably measured, unless the dividends clearly represent recovery of a part of the cost of the investment.

(ii) Effective Interest Rate Method and Interest Income

Interest income on financial assets measured at amortized cost and all interest-bearing debt financial assets classified as at FVOCI, is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of effective interest rate. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument; hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset with an increase or reduction in interest income. The Bank calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired and or are purchased or originated credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

The interest earned is recognized as part of Interest Income account in the statement of profit or loss.

(iii) Impairment of Financial Assets

The Bank recognizes allowances for ECL on a forward-looking basis associated with its financial assets at amortized cost. The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. The Bank recognizes lifetime ECL when there has been a significant increase in credit risk (SICR) since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

The Bank's ECL model follows a three-stage impairment approach, which guide in the determination of the loss allowance to be recognized in the financial statements. The staging of financial assets, definition of default for purposes of determining ECL, and credit risk assessment are further discussed in Note 4.3.1.2.

ECL is a function of the probability of default (PD), loss-given default (LGD), and exposure-at-default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgement. These elements are discussed more fully in Note 4.3.1.3(c).

The Bank calculates ECL either on an individual or a collective basis. For modelling ECL parameters which were carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics, such as but not limited to instrument type, credit risk rating, collateral type, product type, historical net charge-offs, industry type, and geographical locations of the borrowers or counterparties.

The Bank recognizes an impairment loss in profit or loss for all financial instruments subjected to ECL impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for those classified under FVOCI which is recognized in other comprehensive income.

(iv) Derecognition of Financial Assets

Modification of Loans

When the Bank derecognizes a financial asset through renegotiation or modification of contractual cash flows of loans to customers, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank considers, among others:

- 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;
- whether any substantial new terms are introduced that will affect the risk profile of the loan;
- 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; and/or,
- insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the 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, including for the purpose of determining whether an SICR has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are as gain or loss on derecognition of financial assets in profit or loss. As to the impact on ECL measurement, the expected fair value of the "new" asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

Derecognition of Financial Assets Other than Modification

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and a collateralized borrowing for the proceeds received.

(b) Classification and Measurement of Financial Liabilities

Financial liabilities, which include Deposit Liabilities and Accounts Payable and Other Liabilities (except for government payables, tax-related liabilities and retirement benefit obligation), are recognized when the Bank becomes a party to the contractual terms of the instrument. These are recognized initially at their fair value and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. All interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under the caption Interest Expense in the statement of profit or loss.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared by the Bank's BOD.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Bank currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.5 Bank Premises, Furniture, Fixtures and Equipment

Land is stated at cost less any accumulated impairment loss. As no finite useful life for land can be determined, related carrying amount is not depreciated. All other items of bank premises, furniture, fixtures and equipment are carried at acquisition costs less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation and amortization is computed using the straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	5 to 15 years
Furniture, fixtures and equipment	3 to 5 years

Leasehold improvements are amortized over the estimated useful lives of five years or remaining term of the lease, whichever is shorter.

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 (see Note 2.13).

The residual values, estimated useful lives and method of depreciation and amortization of bank premises, furniture, fixtures and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

Fully depreciated and amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

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

2.6 Assets Held for Sale

Assets held for sale include chattels and other moveable properties acquired through repossession or foreclosure that the Bank intends to sell within one year from the date of classification as held for sale and is committed to immediately dispose the assets through an active marketing program. The Bank classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The Bank classifies an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through a continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Bank's control and there is sufficient evidence that the Bank remains committed to its plan to sell the asset through an active marketing and disposal program.

Assets held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale, and their fair value less costs to sell. The Bank recognizes an impairment loss for any initial or subsequent writedown of the asset to fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment losses previously recognized. The assets classified as held for sale are not subject to depreciation or amortization.

If the Bank has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Bank shall cease to classify the asset as held for sale. Any gain or loss on the disposal on the assets classified as held for sale is presented as part of Gain or loss on sale of properties under Other Operating Income account in the statement of profit or loss.

2.7 Investment Properties

Investment properties pertain to land, buildings and improvements acquired by the Bank, in settlement of loans from defaulting borrowers through foreclosure or dacion in payment. These properties are held by Bank either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

The Bank adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value. The cost of an investment property comprises its purchase price and directly attributable costs incurred. Depreciation of Buildings and improvements with useful lives ranging from 10 to 20 years and their impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment (see Notes 2.5 and 2.13).

Transfers from other accounts (such as bank premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is presented as part of Gain or loss on sale of properties under the Other Operating Income account in the statement of profit or loss in the year of retirement or disposal.

2.8 Intangible Assets

Intangible assets, presented under the Other Resources account, pertain to operating licenses, computer software and development costs for the Bank's new application software, which are amortized over three to five years.

The cost of the asset is the amount of cash or cash equivalent paid or the fair value of the other consideration given up to acquire the asset at the time of its acquisition. In addition, intangible assets are subject to impairment testing as described in Note 2.13.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Bank can demonstrate all of the following recognition requirements:

(i) technical feasibility of completing the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and,

(iv) ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred. Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

The costs of internally generated software developments are recognized as intangible assets; they are subject to the same subsequent measurement method as externally acquired software licenses. Any capitalized internally developed software that is not yet complete is not amortized but is subject to impairment testing as described in Note 2.13. Amortization commences upon completion of the asset.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.9 Other Resources

Other resources, that are non-financial assets, pertain to other assets that are controlled by the Bank as a result of past events. These are recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Bank and the asset has a cost or value that can be measured reliably. These are either amortized and charged to profit or loss as they are utilized or reclassified to another asset account if considered capitalizable.

2.10 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. 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. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Bank that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Bank can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.11 Other Income and Expense Recognition

Other income is recognized only when (or as) the Bank satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may partially be within the scope of PFRS 9 and partially within the scope of PFRS 15. In such case, the Bank first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract.

The Bank assesses its revenue arrangement against specific criteria in order to determine if it is acting as a principal or agent. The Bank concluded that it is acting as a principal in all of its revenue arrangements.

The Bank also earns service fees and commissions on various banking services, which are supported by contracts approved by the parties involved. These income are accounted for by the Bank in accordance with PFRS 15.

For income arising from various banking services, which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

(a) Service charges and fees and commissions – these income arising from loans, deposits, an other banking transactions are recognized as income based on agreed terms and conditions with customers which are generally when the services has been performed.

(b) Penalties – these are billed on late payments of loans and are recognized as income upon occurrence of the late payment event.

For other income outside the scope of PFRS 15 such as gains on sale of asset acquired, these are recognized at the time the control of the assets is transferred to the buyer, when the Bank does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold, and when the collectability of the entire sales price is reasonably assured.

Collections from accounts, which did not qualify from revenue recognition, are treated as customers' deposits and are included as part of Accounts payable under Other Liabilities account in the statement of financial position.

Costs and expenses are recognized in profit or loss upon utilization of the goods or service or at the date they are incurred. All finance costs are reported in the statement of profit or loss in accordance with the policy, except capitalized borrowing costs which are included or part of the cost of the related qualifying asset (see Note 2.16).

2.12 Leases – Bank as a Lessee

The Bank considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Bank assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;

- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.13).

At the commencement date, the Bank measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Bank's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including those determined to be fixed in substance), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.
The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

The corresponding right-of-use assets are presented separately while lease liabilities are presented as part of Accounts Payable and Other Liabilities in the statement of financial position.

2.13 Impairment of Non-financial Assets

Bank premises, furniture, fixtures and equipment, assets held for sale, investment properties, intangible assets, right-of-use assets, and other non-financial assets are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.14 Investment in an Associate

An associate is an entity over which the Bank has significant influence but which is neither a subsidiary nor an interest in a joint venture.

The investment in an associate is initially recognized at cost and subsequently accounted for using the equity method. Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. All subsequent changes to the ownership interest in the equity of the associate are recognized in the Bank's carrying amount of the investment. Changes resulting from the profit or loss generated by the associate is credited or charged against the Share in Profit of Associate account in the statement of profit or loss.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.13).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Bank, as applicable. However, when the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

2.15 Employee Benefits

The Bank's employee benefits are recognized and measured as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Bank, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Bank's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by the Bank's treasury department and a third party fund manager.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bond as published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Interest Income or Interest Expense account in the statement of profit or loss.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which the Bank pays fixed contributions into an independent entity. The Bank has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Bonus Plans*

The Bank recognizes a liability and an expense for bonuses. The Bank recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) *Termination Benefits*

Termination benefits are payable upon termination of employment by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits at the earlier of when it can no longer withdraw the offer of scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount the Bank expects to pay as a result of the unused entitlement.

2.16 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.17 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Bank has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.18 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Bank and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Bank; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank and close members of the family of any such individual; and, (d) the Bank's retirement fund.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.19 Equity

Capital stock represents the nominal value of shares of stock that have been issued.

Retained earnings represent all current and prior period results of operations as reported in the statement of profit or loss, reduced by the amounts of dividends declared.

Revaluation reserves pertain to:

(a) Net unrealized fair value gains or losses arising from remeasurements of financial assets at FVOCI;

(b) Remeasurements of post-employment defined benefit plan based on the accumulated balances of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions used in the determination of the defined benefit obligation; and,

(c) Share in other comprehensive income of investment in associate

2.20 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Bank's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Bank's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately vary from these estimates.

3.1 Critical Management Judgments in Applying Accounting Principles

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Application of ECL to Financial Assets at FVOCI and Amortized Cost

The Bank uses external benchmarking and historical loss rates to calculate ECL for all debt instruments carried at FVOCI and amortized cost. The allowance for impairment is based on the ECLs associated with the PD of a financial instrument in the next 12 months, unless there has been a SICR since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant management judgment is required.

The Bank has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has significantly increased since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

(b) Evaluation of Business Model Applied in Managing Financial Instruments

The Bank manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

The Bank developed business models which reflect how it manages its portfolio of financial instruments. The Bank's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Bank) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Bank evaluates in which business model a financial instrument or a portfolio of financial instruments belongs to taking into consideration the objectives of each business model established by the Bank (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Bank's investment, trading and lending strategies.

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, the Bank assesses whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Bank considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Bank can explain the reasons for those sales and why those sales do not reflect a change in the Bank's objective for the business model.

The Bank has determined that the disposal of certain investment securities at amortized cost in 2020 is no longer consistent with the Bank's held-to-collect business model. Accordingly, the carrying amount of certain investment securities at amortized cost was reclassified to financial assets at FVOCI (see Note 8). In 2021, after a one year observation period, the Bank assessed that the objective of collecting contractual cash flows from certain financial assets at FVOCI complied with the Bank's held-to-collect business model and accordingly, reclassified the carrying amount of the securities previously transferred to FVOCI back to investment securities at amortized cost. There are no transfers of investment securities to and from FVOCI and amortized cost in 2022.

(c) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of Business Model*

In determining the classification of financial assets, the Bank assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria.

In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Banks assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Bank considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

(d) *Distinction Between Investment Properties, Assets Held for Sale, and Owner-occupied Properties*

The Bank determines whether a property qualifies as an investment property, assets held for sale or owner-occupied properties. In making its judgment, the Bank considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the Bank's operations.

The Bank classifies its acquired properties as Bank Premises, Furniture, Fixtures and Equipment if used in operations, as Assets Held for Sale if the Bank expects that the properties will be recovered through sale within one year from the date of classification, or as Investment Properties if the Bank intends to hold the properties for capital appreciation or for rental.

(e) Determination of Lease Term of Contracts

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option. Renewal options are only included in the lease term if it is enforceable.

The Bank did not include renewal options as part of the lease term as the terms are renewable upon mutual agreement of the parties.

The lease term is reassessed if an option is actually exercised or not exercised or the Bank becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

(f) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.10 and relevant disclosures are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The key assumptions presented below concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period:

(a) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Bank measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Bank's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Estimation of Allowance for ECL on Financial Assets

The Bank provides ECL for financial instruments that have passed the SPPI test (see Note 2.4). The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions which include: the Bank's criteria for assessing if there has been a SICR; and, development of ECL models, including the choice of inputs relating to macroeconomic variables (MEV). The calculation of credit-impairment provisions also involves expert credit judgement to be applied based upon counterparty information received from various sources including relationship managers and on external market information.

The analysis of the allowance for impairment and the carrying value of financial assets are shown in Notes 4.3.1.3, 8 and 9.

(c) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Bank's financial assets at FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 8.2.

(d) Estimation of Useful Lives of Bank Premises, Furniture, Fixtures and Equipment, Right-of-use Asset, Investment Properties and Intangible Assets

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use asset, investment properties and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties and intangible assets are analyzed in Notes 10, 11.1, 13 and 14, respectively. Based on management's assessment as at December 31, 2022 and 2021, there are no changes in the useful lives of these assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Fair Value Measurement of Non-financial Assets

The Bank's investment properties are composed of land and buildings and improvements. In determining the fair value of these assets, the Bank engages the services of professional and independent appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behaviour of the buying parties.

Assets held for sale pertain to repossessed motorcycles when a borrower defaulted on its required payments. In determining the fair value of the repossessed motorcycles, the Bank refers to the most recent list prices or fair value of the motorcycles less the appropriate cost to sell. For the fair value of the investment in an associate, the Bank used the purchase price stated in the share purchase agreement less any costs to sell. The valuations are based and consistent with its best and highest use.

The fair values of the investment properties and assets held for sale are presented under Note 6.4.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Bank reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of deferred tax assets, which management has determined to be fully recoverable as at December 31, 2022 and 2021, is disclosed in Note 21.

(g) Impairment of Non-financial Assets

The Bank's policy on estimating the impairment of non-financial assets is discussed in Note 2.13. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized on assets held for sale and investment properties are disclosed in Notes 12 and 13, respectively. No impairment losses were recognized for bank premises, furniture, fixtures and equipment, right-of-use assets, intangible assets, and other non-financial assets based on management's assessment.

(h) Valuation of Post-employment Defined Benefit

The determination of the Bank's obligation and cost of post-employment and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19.2 and include, among others, discount rates, expected rate of return on plan asset and salary increase rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation are presented in Note 19.2.

(i) Determination of Fair Value Less Cost to Sell of Assets Held for Sale

In determining the fair value less cost to sell of assets held for sale, management takes into account the most reliable evidence available at the time the estimates are made. These estimates include prices at which the repossessed assets are expected to be sold and the necessary cost to be incurred in disposing the assets. The price and cost estimates, however, could change in the future. The above factor is considered key source of estimation uncertainty and may cause significant adjustments to the Bank's assets held for sale within the next reporting period.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

4.1 Risk Management Framework

The Bank adopts a comprehensive risk management framework, which integrates management of all risk exposures of the Bank. The framework is consistent with risk regulations standards set by the BSP. There were no changes in the Bank's risk management objectives and policies during the year.

4.2 Risk Governance

The BOD directs the Bank's over-all risk management strategy by setting the Bank's overall risk appetite and, if needed, providing clear guidelines on acceptable risks. Lastly, it performs an oversight function of the Bank's implementation of risk policies through various committees it has created. Some of these committees are:

(a) Executive Committee

The Executive Committee approves credit exposures within the limit delegated by the BOD and beyond the limit authorized for the Management Committee, except for directors, officers, stockholders and related interests (DOSRI) loans which are approved by the BOD regardless of amount.

(b) Risk Oversight Committee

The Risk Oversight Committee provides an independent Board-level oversight of the Bank's risk profile and recommends the risk management framework to the BOD. It makes sure all delegated risk management functions are carried out effectively.

(c) Audit and Compliance Committee

The Audit and Compliance Committee through Internal Audit Department and Compliance Department provides the independent assessment of the over-all effectiveness of, and compliance with the Bank's risk management policies and processes.

(d) Corporate Governance Committee

The Corporate Governance Committee (CGC) is primarily responsible for helping the BOD fulfill its corporate governance functions. It advocates and assists the BOD in adopting and implementing sound principles and practices of good corporate governance.

The CGC also recommends corporate governance policies to the BOD based on the regulations of the BSP, SEC and other regulatory bodies, as well as internationally recognized industry best practices.

(e) Related Party Transactions Committee

The Related Party Transactions Committee assists the BOD in fulfilling its responsibility to strengthen corporate governance and practices particularly on related party transactions.

4.3 Financial Risk Management

The Bank does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Bank is exposed to are described below and in the succeeding pages.

4.3.1 Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Bank. It arises from lending, treasury and other activities undertaken by the Bank. Managing credit risk involves defining the principles and parameters governing credit activities at various levels, (i.e. strategic level, portfolio level down to individual transaction or account level).

The following procedures, among others, are performed in identifying, assessing and managing credit risk:

(a) establish credit policies, asset allocations and concentration limits, risk asset acceptance criteria, target market and clearly defined approving authorities;
(b) establish credit scoring system to determine qualification of borrowers and periodic review of parameters to evaluate effectiveness through back testing;
(c) define documentation policies of approved credit facilities;
(d) maintain independence of credit control and monitoring functions from the credit risk-taking function;
(e) regular review of the adequacy of valuation reserves; active loan portfolio management to determine the quality of the loan portfolio, including risks associated with particular industry sectors, regions; monitor portfolio growth, collection performance and delinquency trends, trend of nonperforming loans, concentration risk, and other performance indicators; and,
(f) conduct of annual credit review which includes monitoring of remedial accounts.

4.3.1.1 Exposures to Credit Risk

Loan classification and credit risk rating are an integral part of the Bank's management of credit risk. On an annual basis, loans are reviewed, classified and rated based on internal and external factors that affect its performance. On a quarterly basis, loan classifications of impaired accounts are assessed and the results are used as basis for the review of loan loss provisions.

The Bank's definition of its loan classification and corresponding credit risk ratings are as follows:

Unclassified/Current	:	Grade A
Especially Mentioned	:	Grade B
Substandard	:	Grade C
Doubtful	:	Grade D
Loss	:	Grade E

(a) Unclassified/Current

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans (as defined in the succeeding paragraphs). These are credits that have the apparent ability to satisfy their obligations in full and therefore no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

Past due or individually impaired financial assets are consisting of accounts under the following risk ratings:

(b) *Especially Mentioned*

Accounts classified as "Especially Mentioned" or Grade B are individual credits that have potential weaknesses particularly on documentation or credit administration that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment prospects of the loan and thus heighten the credit risk to the Bank.

A credit may also be classified as Especially Mentioned if there is evidence of weakness in the borrower's financial condition or credit worthiness, or the credit is subject to an unrealistic repayment program or inadequate source of funds.

(c) *Substandard*

Accounts classified as Substandard or Grade C are individual credits or portions thereof, which appear to involve a substantial and unreasonable degree of risk to the Bank because of unfavorable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to the Bank unless given closer supervision. Those classified as Substandard must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

(d) *Doubtful*

Accounts classified as Doubtful or Grade D are individual credits or portions thereof which have the weaknesses inherent in those classified as Substandard, with the added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable. Positive and vigorous action is required to avert or minimize losses.

(e) *Loss*

Accounts classified as Loss or Grade E are individual credits or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets are not warranted although the loans may have some recovery or salvage value. The amount of recovery or salvage value is difficult to measure and it is not practical or desirable to defer writing off the entire amount of these basically worthless assets even though partial recovery may be obtained in the future.

In addition, credit portfolio review is another integral part of the Bank's credit risk management. This activity involves the conduct of periodical post approval review of individual credits with main objective to help monitor and maintain sound and healthy risk asset portfolio. The parameters of the credit portfolio review are structured so as to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by the Bank using internal credit ratings.

4.3.1.2 Credit Risk Measurement

The Bank's credit risk measurement is performed on different segments of financial asset portfolio such as: (a) consumer, which include motorcycle, housing, auto loans, enterprise, and microfinance loans; (b) corporate, which generally are commercial loans; and, (c) investments in debt securities that are measured at amortized cost and at FVOCI. Loans and receivables, regardless if the accounts have been fully paid, extended or renewed in subsequent year or period, are subjected to evaluation for possible losses. The Bank's estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows, and the passage of time. The assessment of credit risk of a portfolio of assets requires further estimations as to the PDs occurring, the associated loss rations, and default correlations between counterparties. Therefore, credit risk is measured collectively by calculating ECL, using PD, EAD, and LGD.

The Bank uses the following approaches in PD computation, depending on the type of financial instruments: Net Rollforward Rate for loans and receivables and Bloomberg Default Risk (DRSK) Function for investment in debt securities measured at amortized cost and FVOCI. Net Rollforward Rate shows the percentage of borrowers who become increasingly delinquent on their accounts. For the Bank, Net Rollforward Rate is computed based on the amount of outstanding balance which rolled from one age bracket to another. This procedure was elected to be used for purposes of PD computation for loans since it is more reflective of the behavior of the Bank's borrowers where some may actually default within the life of the loan but will still be paid sometime. This is attributable to the Bank's concentration to consumer loans. On the other hand, Bloomberg's DRSK Function provides transparent and timely quantitative estimates of an issuer's default probabilities and default risk. Estimating likelihood is based on globally calibrated model which also retains region-specific characteristics including the Philippine market.

The DRSK function incorporates fundamental factors with industry risk, market sentiment, and business cycle in a quantitative model to determine the default probability.

(a) Consumer Loans

For consumer loans, risk assessment is performed collectively. The basis of the staging of impairment and related PD, LGD, and ECL is its age brackets (zero or current to as much as more than five years), based on loan type.

The groupings of financial instruments into a pool of shared credit quality are subject to the regular review by in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(b) Corporate Loans

The Bank's credit risk assessment for corporate loans are assessed individually based on the number of days of missed payments; however, the Bank will be shifting to an assessment approach through Borrower's Risk Rating (BRR) once the Bank is able to collect sufficient data to arrive at a reasonable PD rates. This determines the internal credit rating and the PDR.

(c) Debt Securities at Amortized Cost

For the Bank's debt securities at amortized cost, the issuer's specific PD using the Bloomberg DRSK Function is used. The PD associated with each rating is determined based on realized default rates over the previous 12 months, as published by Bloomberg.

4.3.1.3 Expected Credit Loss Measurement

(a) *Assessment of Significant Increase in Credit Risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank assesses the change in the risk of a default occurring over the remaining life of the financial instrument. In making this assessment, the Bank assesses on a periodic basis both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information (FLI) as appropriate. These may include macroeconomic conditions, economic sector and geographical region relevant to the counterparty or borrower and other factors that are counterparty-specific. As the Bank holds various arrays of financial instruments, the extent of assessment may depend on the materiality of the financial instrument or the complexity of the portfolio being assessed.

The Bank's ECL model follows a three-stage impairment approach in determining the loss allowance to be recognized in the financial statements:

(i) Stage 1 – comprises of all credit exposures that are considered 'performing' and with no observed SICR since initial recognition. These include those financial instruments with low credit risk. For these financial instruments, the loss allowance is determined based on a 12-month ECL.

(ii) Stage 2 – comprises of all financial instruments assessed to have SICR since initial recognition based on the Bank's quantitative and qualitative criteria, though not yet deemed to be credit-impaired. Stage 2 financial instruments may also include those financial instruments where the credit risk has improved and have been reclassified from Stage 3 subject to the Bank's observation period on the creditworthiness of the counterparty. A lifetime ECL is recognized for these financial instruments.

(iii) Stage 3 – comprises credit exposures which are assessed with objective evidence of impairment, thus considered by the Bank as 'non-performing', which is assessed consistently with the Bank's definition of default for each loan portfolio. The Bank recognizes a lifetime ECL for all credit-impaired financial assets.

The Bank considers low credit risk for listed debt security when its credit risk rating is equivalent to a globally understood definition of 'investment grade' (which should be from at least one major rating agency); other debt securities 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.

Financial assets that are credit-impaired on initial recognition are classified as purchased or originated credit-impaired assets. ECL is only recognized or released to the extent that there is a subsequent change in the ECLs.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's internal credit assessment, the borrower or counterparty is determined to have well-defined credit weaknesses. For exposures with no internal credit risk rating performed, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition.

Depending on the number of days past due which differ across the various retail products of the Bank, a credit exposure may be transferred to Stage 2 or Stage 3. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer an SICR since initial recognition, the Bank shall revert to recognizing a 12-month ECL. As a general rule, an upgrade or transfer of credit exposure from Stage 3 to Stage 1 is allowed when there is sufficient evidence to support that full collection of principal and interest is probable, consistent with the Bank's definition of curing period.

(b) *Definition of Default and Credit-Impaired Assets*

Loans and Receivables

Credit impaired assets are those classified as both past due and under Stage 3. The Bank defines a financial asset as in default, which is aligned with the definition of credit-impaired asset, when it meets one or more of the following criteria:

- *Quantitative* – in this criterion, the borrower has more than 90 days of missed contractual payments.

- *Qualitative* – this includes instances where the borrower is unlikely to pay its obligations and is deemed to be in significant financial difficulty, which include cases of long-term forbearance, borrower's death, insolvency, breach of financial covenant/s, disappearance of active market for that financial instrument because of financial difficulties, and bankruptcy.

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

An instrument is considered to have cured when it no longer meets any of the default criteria for a consecutive period of six months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments. This period was determined based on an analysis which considers the likelihood of a financial instrument returning to default status. The Bank considers verifiable collection experience and reasonable judgment that support the likelihood.

Investments in Debt Securities

Investments in debt securities is assessed as credit-impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of an event that occurred after the initial recognition of the security (a "loss event") and that loss event has impact on the estimated future cash flows of the securities. Losses expected as a result of future events, shall also be considered in estimating the ECL. Objective evidence that the security is impaired includes observable data that comes to the attention of the holder of the security about the following loss events:

- significant financial difficulty of the issuer or obligor;
- breach of contract, such as a default or delinquency in interest or principal payments;
- the financial institution, for economic or legal reasons relating to the issuer's financial difficulty, granting to the issuer a concession that the financial institution would not otherwise consider;

- it becoming probable that the issuer will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that security because of financial difficulties; or,
- measurable decrease in the estimated future cash flows from a portfolio of securities since the initial recognition of those assets, although the decrease cannot yet be identified with the individual securities in the portfolio.

The disappearance of an active market because a financial institution's held securities are no longer publicly traded is not an evidence of impairment. A downgrade of an issuer's credit rating is not, by itself, evidence of impairment, although it may be evidence of impairment when considered with other available information. A decline in the fair value of a security below its cost or amortized cost is not necessarily evidence of impairment (for example, a decline in fair value of an investment in debt security that results from an increase in the risk-free interest rate).

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessment of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; or,
- the internal support mechanism in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfill the required criteria.

(c) Key Inputs, Assumptions, and Estimation Techniques Used in Measurement of ECL

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment.

- *Probability of Default*

  This represents an estimate of likelihood of a borrower defaulting on its financial obligation over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation. PD is calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures, which consider both quantitative and qualitative factors. In determining PD, the Bank performs segmentation of its credit exposures based on homogenous characteristics and developed a systematic PD methodology for each portfolio. Generally, if a counterparty or exposure migrates between rating classes, this will lead to a change in the estimate of the associated PD.

- *Loss Given Default*

  This pertains to estimate of loss related to the amount that may not be recovered after the borrower defaults. The Bank estimates LGD parameters based on historical recovery rates of claims against defaulted counterparties, which takes into consideration the realization of any collateral that is integral to the financial asset. For secured credit exposure, the determination of LGD is dependent on the Bank's collateral data which are available at the origination of the instrument which takes into account the amount and timing of the cash inflows (actual recovery) and outflows (actual expenses) and on the time value of money. Recoveries are calculated on a discounted cash flows basis using the effective interest rate as the discounting factor.

- *Exposure at Default*

  This represents the gross carrying amount of the exposure in the event of default which include the amortized cost amount of an instrument and any accrued interest receivable.

  These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the end of the reporting period. 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 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the instrument. 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. Such profile is supported by a historical analysis (i.e., an observation period of three years) which uses, among others the number of rated accounts and ratings of bad accounts at the time of default.

  For loans with periodic amortization and one-time full payment at end of the term, EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

  The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default, and may vary by loan type. For secured loans, this is primarily based on collateral type and projected collateral values, historical discounts to market or book values due to forced sales, time to repossession and recovery costs observed. For unsecured loans, LGD is typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. The LGD is influenced by collection strategies.

  The determination of the 12-month and lifetime PD, LGD, and EAD includes the overlay of forward-looking economic information [see Note 4.3.1.3(d)]. The assumptions underlying the calculation of the ECL – such as how the maturity profile of the PDs and how collateral values change – are monitored and reviewed by the Bank on a periodic basis.

There have been no significant changes in the estimation techniques or significant assumptions made by the Bank in 2022 and 2021.

(d) Overlay Forward-looking Information in the Measurement of ECL

The Bank incorporates FLI in its assessment of SICR and calculation of ECL. The Bank has performed historical analysis and has identified the key MEVs affecting credit risk associated with its borrowers and/or counterparties and the ECL for each portfolio of debt instruments.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between MEVs, credit risk, and credit losses.

The significance of the selected MEVs as predictors of default may change over time as historical information is added. As such, the generated macro-economic models are updated at least on an annual basis.

The MEVs and their associated impact on the PD, EAD and LGD vary by financial instrument. To project the MEVs for the full remaining life of each financial instrument, a mean reversion approach has been used, which means that MEVs tend to either a long run average rate (e.g., lending interest rate) or a long run average growth rate (e.g., gross domestic product) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

The MEVs considered by the Bank includes economic data and forecasts published by government agencies (e.g., BSP and Philippine Statistics Authority), international organizations (e.g., International Monetary Fund), and certain reputable private and academic organizations involved in forecasting. Accordingly, the Bank has identified key drivers for credit risk for its corporate loans portfolio, which include, among others, gross domestic product, consumer price index (CPI), unemployment rates, and growth rates of the total number of existing Micro, small & medium enterprises (mSMEs), and growth rates of real non-agricultural wage rates within and outside the National Capital Region. On the other hand, the key drivers for the Bank's retail loans portfolio include inflation rates and nominal wage rates.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different to those projections. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the Bank's different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

In 2022 and 2021, other growth rates which consists of services sector growth rate, growth rate of the total number of existing mSMEs, growth rate of real non-agricultural wage rates, unemployment rate, economic growth rate and inflation rate, and unemployment rates, respectively, were used as MEV for the loan portfolio, given its significant coefficient or impact on the borrowers' ability to meet contractual repayments (see also Note 4.3.1.8). The change in MEV was due to the availability of information at the time the ECL was computed.

Management has also considered other FLIs such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL. Management reviews and monitors the appropriateness of FLIs at least annually.

4.3.1.4 Credit Risk Exposures and the ECL Allowance

(a) Credit Risk Exposures

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position, as summarized below.

	Notes	2022	2021
Cash and cash equivalents	7	**P 2,965,573,221**	P 6,517,072,212
Investment securities – net:			
At amortized cost	8	**6,997,188,953**	5,768,068,461
At FVOCI	8	**3,184,306,084**	201,978,602
Loans and receivables – net	9	**33,135,085,031**	29,968,575,377
Rental and utilities deposits	14	**26,112,334**	25,343,297
		P 46,308,265,623	P 42,481,037,949

The credit risk for cash and cash equivalents such as Due from BSP and Due from Other Banks are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The tables below show the credit exposures on the above financial assets (particularly loans receivables and investments in debt securities) by stages of impairment as of December 31, 2022 and 2021, shown at their gross and net carrying amounts, with the corresponding allowance for ECL shown in Note 4.3.1.4(c). All instruments, which were not assessed by the Bank for ECL based on individual credit risk rating were evaluated on a collective basis, applying applicable PD and LGD based on the segment of instrument gross carrying amounts of financial instruments by stage as at December 31, 2022 and 2021 is presented below and in the succeeding pages.

	Stage 1	Stage 2	Stage 3	Total
December 31, 2022:				
Loans and Receivables*				
Motorcycle Loans				
Unclassified/Current: Grade A	P 17,669,740,983	P -	P -	P 17,669,740,983
Especially mentioned: Grade B	-	1,928,123,643	259,695,494	2,187,819,137
Sub-standard: Grade C	-	2,490,980,112	700,454,140	3,191,434,252
Doubtful: Grade D	-	-	552,469,380	552,469,380
Loss: Grade E	-	-	1,256,793,789	1,256,793,789
	17,669,740,983	4,419,103,755	2,769,412,803	24,858,257,541
Allowance for ECL	(254,321,815)	(71,716,348)	(1,394,409,615)	(1,720,447,778)
Carrying amount (*Balance forwarded*)	**P 17,415,419,168**	**P4,347,387,407**	**P1,375,003,188**	**P23,137,809,763**

	Stage 1	Stage 2	Stage 3	Total
Balance carried forward	**P 17,415,419,168**	**P4,347,387,407**	**P 1,375,003,188**	**P23,137,809,763**
Commercial Loans				
Unclassified/Current: Grade A	5,050,849,638	-	-	5,050,849,638
Especially mentioned: Grade B	-	537,685,412	2,554,438	540,239,850
Sub-standard: Grade C	-	1,605,792	3,759,016	5,364,808
Doubtful: Grade D	-	-	20,406,545	20,406,545
Loss: Grade E	-	-	1,047,599,476	1,047,599,476
	5,050,849,638	539,291,204	1,074,319,475	6,664,460,317
Allowance for ECL	(78,993,073)	(2,868,408)	(594,713,808)	(676,575,289)
Carrying amount	**4,971,856,565**	**536,422,796**	**479,605,667**	**5,987,885,028**
Other Retail Loans and Receivables				
Unclassified/Current: Grade A	3,546,466,024	-	-	3,546,466,024
Especially mentioned: Grade B	-	220,242,731	8,351,614	228,594,345
Sub-standard: Grade C	-	125,601,902	18,207,685	143,809,587
Doubtful: Grade D	-	-	74,554,229	74,554,229
Loss: Grade E	-	-	188,640,388	188,640,388
	3,546,466,024	345,844,633	289,753,916	4,182,064,573
Allowance for ECL	(14,842,724)	(6,299,974)	(151,531,635)	(172,674,333)
Carrying amount	**3,531,623,300**	**339,544,659**	**138,222,281**	**4,009,390,240**
Total gross amount	26,267,056,645	5,304,239,592	4,133,486,194	35,704,782,431
Allowance for ECL	(348,157,612)	(80,884,730)	(2,140,655,058)	(2,569,697,400)
Carrying amount	**P25,918,899,033**	**P5,223,354,862**	**P 1,992,831,136**	**P33,135,085,031**

**Loans receivable from reverse repurchase agreement is not included.*

Investments in Debt Securities

At amortized cost

	Stage 1	Stage 2	Stage 3	Total
Unclassified/Current: Grade A	P 6,997,249,364	P -	P -	P 6,997,249,364
Allowance for ECL	(60,411)	-	-	(60,411)
Carrying amount	**P 6,997,188,953**	**P -**	**P -**	**P 6,997,188,953**

December 31, 2021:

Loans and Receivables*

	Stage 1	Stage 2	Stage 3	Total
Motorcycle Loans				
Unclassified/Current: Grade A	P 17,472,510,440	P -	P -	P17,472,510,440
Especially mentioned: Grade B	-	2,325,249,595	206,534,653	2,531,784,248
Sub-standard: Grade C	-	1,561,792,553	622,579,661	2,184,372,214
Doubtful: Grade D	-	-	469,066,660	469,066,660
Loss: Grade E	-	-	1,085,030,419	1,085,030,419
	17,472,510,440	3,887,042,148	2,383,211,393	23,742,763,981
Allowance for ECL	(261,299,335)	(46,405,057)	(1,244,957,237)	(1,552,661,629)
Carrying amount	17,211,211,105	3,840,637,091	1,138,254,156	22,190,102,352
Commercial Loans				
Unclassified/Current: Grade A	4,106,123,324	-	-	4,106,123,324
Especially mentioned: Grade B	-	61,198,729	58,682,413	119,881,142
Sub-standard: Grade C	-	5,959,181	292,194,777	298,153,958
Doubtful: Grade D	-	-	4,460,041	4,460,041
Loss: Grade E	-	-	1,071,792,437	1,071,792,437
	4,106,123,324	67,157,910	1,427,129,668	5,600,410,902
Allowance for ECL	(88,000,129)	(516,685)	(591,390,506)	(679,907,320)
Carrying amount	4,018,123,195	66,641,225	835,739,162	4,920,503,582
Balance forwarded	**P21,229,334,300**	**P3,907,278,316**	**P 1,973,993,318**	**P27,110,605,934**

	Stage 1	Stage 2	Stage 3	Total
Balance carried forward	**P21,229,334,300**	**P3,907,278,316**	**P 1,973,993,318**	**P27,110,605,934**
Other Retail Loans and Receivables				
Unclassified/Current: Grade A	2,525,012,990	-	-	2,525,012,990
Especially mentioned: Grade B	-	141,025,577	6,470,513	147,496,090
Sub-standard: Grade C	-	117,604,190	38,762,732	156,366,922
Doubtful: Grade D	-	-	41,881,534	41,881,534
Loss: Grade E	-	-	124,734,552	124,734,552
	2,525,012,990	258,629,767	211,849,331	2,995,492,088
Allowance for ECL	(15,361,358)	(3,617,725)	(118,543,562)	(137,522,645)
Carrying amount	2,509,651,632	255,012,042	93,305,769	2,857,969,443
Total gross amount	24,103,646,754	4,212,829,825	4,022,190,391	32,338,666,970
Allowance for ECL	(364,660,822)	(50,539,467)	(1,954,891,304)	(2,370,091,593)
Carrying amount	P23,738,985,932	P4,162,290,358	P 2,067,299,087	P29,968,575,377

**Loans receivable from reverse repurchase agreement is not included.*

Investments in Debt Securities

	Stage 1	Stage 2	Stage 3	Total
At amortized cost –				
Unclassified/Current: Grade A	P 5,768,068,461	P -	P -	P 5,768,068,461

The information on how the significant changes in the gross carrying amount of the financial instruments contributed to the changes in allowance for ECL are presented in Note 4.3.1.4(b).

An impairment loss of P60,411 on debt securities classified as financial assets at amortized cost has been recognized in 2022. There was no similar transaction occurred in 2021.

The Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets, except for certain secured loans and receivables from customers.

(b) Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The table below and in the succeeding page provides information how the significant changes in the gross carrying amount of loans and receivables in 2022 and 2021 contributed to the changes in the allowance for ECL (amounts in millions of Philippine pesos).

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2022	P 24,104	P 4,213	P 4,022	P 32,339
Transfers:				
From Stage 1 to Stage 2	(1,462)	1,462	-	-
From Stage 1 to Stage 3	(1,212)	-	1,212	-
From Stage 2 to Stage 1	59	(59)	-	-
From Stage 2 to Stage 3	-	(439)	439	-
From Stage 3 to Stage 1	136	-	(136)	-
From Stage 3 to Stage 2	-	8	(8)	-
New financial assets originated:				
Remained in Stage 1	16,550	-	-	16,550
Moved to Stages 2 and 3	-	2,870	589	3,459
Financial assets derecognized or repaid during the year	(7,228)	(1,185)	(1,090)	(9,503)
Write-offs	-	-	(631)	(631)
Others	(4,680)	(1,566)	(263)	(6,509)
	2,163	1,091	112	3,366
Balance at December 31, 2022	**P 26,267**	**P 5,304**	**P 4,134**	**P 35,705**

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	P 25,970	P 1,813	P 4,502	P 32,285
Transfers:				
From Stage 1 to Stage 2	(729)	729	-	-
From Stage 1 to Stage 3	(1,258)	-	1,258	-
From Stage 2 to Stage 1	12	(12)	-	-
From Stage 2 to Stage 3	-	(249)	249	-
From Stage 3 to Stage 1	529	-	(529)	-
New financial assets originated:				
Remained in Stage 1	12,800	-	-	12,800
Moved to Stages 2 and 3	-	1,482	980	2,462
Financial assets derecognized or repaid during the year	(6,971)	(461)	(2,436)	(9,868)
Write-offs	-	-	(870)	(870)
Others	(6,249)	911	868	(4,470)
	(1,866)	2,400	(480)	54
Balance at December 31, 2021	P 24,104	P 4,213	P 4,022	P 32,339

The gross carrying amounts of the Bank's investments in debt securities at amortized cost and at FVOCI are disclosed in Note 8. These are classified in Stage 1 due to low credit risk.

(c) Allowance for Expected Credit Loss

The following table show the reconciliation of the loss allowance for ECL on loans and receivables at the beginning and end of 2022 and 2021 (amounts in millions of Philippine pesos).

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2022	P 365	P 51	P 1,954	P 2,370
Transfers:				
From Stage 1 to Stage 2	(45)	45	-	-
From Stage 1 to Stage 3	(466)	-	466	-
From Stage 2 to Stage 1	1	(1)	-	-
From Stage 2 to Stage 3	-	(286)	286	-
From Stage 3 to Stage 1	11	-	(11)	-
From Stage 3 to Stage 2	-	1	(1)	-
New financial assets originated:				
Remained in Stage 1	806	-	-	806
Moved to Stages 2 and 3	-	356	414	770
Financial assets derecognized or repaid during the year	(294)	(27)	(323)	(644)
Write-offs	-	-	(631)	(631)
Others	(30)	(58)	(13)	(101)
	(17)	30	187	200
Balance at December 31, 2022	**P 348**	**P 81**	**P 2,141**	**P 2,570**
Balance at January 1, 2021	P 381	P 40	P 2,031	P 2,452
Transfers:				
From Stage 1 to Stage 2	(23)	23	-	-
From Stage 1 to Stage 3	(475)	-	475	-
From Stage 2 to Stage 3	-	(193)	193	-
From Stage 3 to Stage 1	25	-	(25)	-
New financial assets originated:				
Remained in Stage 1	806	-	-	806
Moved to Stages 2 and 3	-	148	173	321
Financial assets derecognized or repaid during the year	(319)	(27)	(225)	(571)
Write-offs	-	-	(870)	(870)
Others	(30)	60	202	232
	(16)	11	(77)	(82)
Balance at December 31, 2021	P 365	P 51	P 1,954	P 2,370

4.3.1.5 Collateral Held as Security and Other Credit Enhancements

The Bank holds collateral against loans and other receivables from customers in the form of mortgage interests over property, hold-out deposits, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activity.

The estimated fair value of collateral and other security enhancements held against the loan portfolio as of December 31, 2022 and 2021 are presented below:

	2022	2021
Real estate mortgage	**P 3,989,587,153**	P 1,779,617,552
Hold out deposits	**691,231,697**	694,895,885
Others	**371,248,209**	467,618,682
	P 5,052,067,059	P 2,942,132,119

For receivables arising from reverse repurchase agreement, since the BSP's purchase will be reversed subsequently, the government securities sold amounting to P1.86 billion and P2.14 billion in 2022 and 2021, respectively, are considered collateralized securities.

4.3.1.6 Write-offs

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Bank's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off.

The Bank may write-off financial assets that are still subject to enforcement activity. The Bank still seeks to recover amounts legally owed in full, but which have been written-off due to no reasonable expectation of full recovery. The outstanding amounts of such assets written-off in 2022 and 2021 amounted to P630.7 million and P869.6 million, respectively (see Note 9).

4.3.1.7 Concentration of Credit Risk

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below.

	2022			2021		
	Cash and Cash Equivalents	**Receivables from Customers**	**Investment Securities**	Cash and Cash Equivalents	Receivables from Customers	Investment Securities
Concentration by sector:						
Financial and insurance activities	**P 4,829,540,268**	**P 537,619,852**	**P 8,703,430,044**	P 8,654,000,368	P 528,038,932	P 4,642,085,073
Consumption	**-**	**22,644,463,603**	**406,210,432**	-	21,688,537,367	263,614,219
Wholesale and retail trade	**-**	**2,991,069,431**	**-**	-	2,051,883,014	-
Real estate activities	**-**	**2,070,952,314**	**1,028,869,601**	-	1,662,231,539	746,129,112
Manufacturing	**-**	**1,035,398,057**	**-**	-	408,978,280	-
Electricity, gas and water and communication	**-**	**851,602,974**	**42,984,959**	-	522,366,790	118,218,659
Construction	**-**	**844,726,817**	**-**	-	472,544,544	-
Agriculture, hunting and forestry	**-**	**796,960,490**	**-**	-	1,285,206,727	-
Transportation, storage	**-**	**618,635,729**	**-**	-	499,622,551	200,000,000
Accommodation and food service	**-**	**464,272,761**	**-**	-	215,996,770	-
Human health and social service activities	**-**	**339,485,043**	**-**	-	335,558,565	-
Other community, social and personal services	**-**	**248,214,742**	**-**	-	732,087,597	-
Education	**-**	**21,764,296**	**-**	-	40,789,066	-
Administrative and support and personal services	**-**	**20,410,002**	**-**	-	-	-
Private household	**-**	**10,584,103**	**-**	-	14,626,709	-
	P 4,829,540,268	**P 33,496,160,214**	**P 10,181,495,036**	P 8,654,000,368	P 30,458,468,451	P 5,970,047,063

4.3.1.8 Impact of COVID-19 on Measurement of ECL

In response to the COVID-19 situation and the Bank's expectations of economic impacts, the key conditions and assumptions utilized in the Bank's calculation of ECL have been revisited and recalibrated. The economic scenarios and forward-looking macroeconomic assumptions underpinning the ECL calculation are outlined in Note 4.3.1.2. The expected impacts of COVID-19 have been reasonably captured using the Bank's business-as-usual (BAU) ECL methodology (i.e., the ECL methodology used in the prior years) and post-model adjustments (or the "COVID-19 overlay").

Prior to 2022, the BAU ECL methodology have been structured and calibrated using historical trends and correlations as well as forward-looking economic scenarios. The severity of the current macroeconomic projections and the added complexity caused by the various support schemes and regulatory guidance could not be reliably modelled for the time being. Therefore, the BAU ECL model may generate results that are either overly conservative or overly optimistic depending on the specific portfolio or segment. As a result, post-model adjustments are needed to reflect the considerable uncertainty in BAU ECL methodology given the unprecedented impacts of COVID-19. Given that the BAU ECL model changes take a significant amount of time to develop and validate and the data limitation in respect of lagging credit information and granular behavior analysis of customers, the Bank expects that post-model adjustments will be applied for the foreseeable future.

In 2022, the Bank updated its BAU ECL methodology to incorporate impacts of COVID-19 under its new normal assessments eliminating the need for separate post model adjustments. Notwithstanding that the measurement inputs and assumptions, including forward-looking macroeconomic assumptions were recalibrated in response to the COVID-19 situation, the fundamental ECL mechanics and methodology underpinning the Company's measurement of ECL have remained consistent with the prior periods.

Notwithstanding that the measurement inputs and assumptions, including forward-looking macroeconomic assumptions, were recalibrated in response to the COVID-19 situation, the fundamental ECL mechanics and methodology underpinning the Bank's measurement of ECL have remained consistent with the prior periods.

The Bank focused on supporting customers who are experiencing and about to experience financial difficulties as a result of the COVID-19 situation and has offered a range of financial assistance measures including temporary loan repayment deferrals (principal and interest). In accordance with regulatory guidance, the Bank implemented mandatory payment holidays to all eligible loan accounts (see also Note 4.3.1.9).

The following are the considerations in measuring ECL under the COVID-19 situation:

(a) *Significant Increase in Credit Risk*

The offer or uptake of COVID-19 related repayment deferrals (i.e., government mandated reliefs) do not itself constitute SICR event unless the exposure is considered to have experienced a SICR based on other available information. SICR has been reassessed with reference to the Bank' internal borrower risk rating which considers industry or segment assessment under COVID-19 situation, financial performance indicators, historical credit information of the borrower and other modifiers. The Bank's reassessment is to determine if changes in the customers' circumstances were sufficient to constitute SICR.

(b) *COVID-19 Overlay*

COVID-19 overlay represents adjustments in relation to data and model limitations as a result of the COVID-19 economic disruption. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level. This also includes the effect of government and other support programs. Considerations included the potential severity and duration of the economic disruption and the heightened credit risk of specific sectors and loan classes or segments.

For 2022, COVID-19 overlay is already incorporated in the identified MEVs impacting credit risk associated with its borrowers. For 2021, the impact of post-model adjustments made in estimating the reported ECL amounted to P215.5 million.

4.3.1.9 Sensitivity Analysis on ECL Measurement

Set out below are the changes to the Bank's ECL as of December 31, 2022 and 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions:

	Impact on ECL Allowance		
	Change in MEV assumption +/ - 1%	Increase in assumption	Decrease in assumption
December 31, 2022:			
Motorcycle loans	(a), (b), (c)	P 1,720,447,778	(P 1,720,447,778)
Corporate loans	(a), (b), (c), (d)	676,575,289	(676,575,289)
Consumer loans	(a), (b), (c), (d)	145,154,227	(145,154,227)
Enterprise loans	(a), (b), (c), (e), (f)	17,132,740	(17,132,740)
Microfinance loans	(b), (c)	10,387,366	(10,387,366)

	Impact on ECL Allowance				
	Change in MEV assumption +/ - 1%	Increase in assumption		Decrease in assumption	
December 31, 2021:					
Motorcycle loans	(a), (b), (c)	P	1,555,880,942	(P	1,555,880,942)
Corporate loans	(a), (b), (c), (d)		686,153,469	(	686,153,469)
Consumer loans	(a), (b), (c), (d)		78,832,873	(	78,832,873)
Enterprise loans	(a), (b), (c), (e), (f)		40,131,507	(	40,131,507)
Microfinance loans	(b), (c)		9,092,801	(	9,092,801)

(a) Services sector growth rate
(b) Growth rate of the total number of existing SMEs
(c) Growth rate of real non-agricultural wage rates
(d) Unemployment rate
(e) Economic growth rate
(f) Inflation rate

4.3.1.10 Modifications of Financial Assets

(a) Financial Reliefs Provided by the Bank

In certain cases, the Bank modifies the terms of the loans provided to the borrowers due to commercial renegotiations, or for distressed loans, with a view of maximizing recovery of the contractual amount of obligation that the Bank is owed to. Restructuring policies and practices are based on indicators or criteria which, in the management's judgment, indicate that payment will most likely continue. Such policies are continuously reviewed and updated as necessary.

Restructured loans amounted to P979.1 million and P907.6 million as of December 31, 2022 and 2021, respectively (see Note 9). The related allowance for credit loss of such loans amounted to P225.8 million and P129.0 million as of the same periods, respectively.

(b) Assessment of SICR

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the performance of the financial asset subsequent to its modification.

The Bank may determine that the credit risk has significantly improved after restructuring (in accordance with the new terms for six consecutive months or more), so that the assets are moved from Stage 2 or Stage 3.

The Bank continues to monitor if there is a subsequent SICR in relation to such modified assets through the use of specific models for modified assets.

4.3.2 Market Risk

The Bank is exposed to market risk through its use of financial instruments and specifically to interest rate risk which result from both its operating and investing activities.

(a) Interest Rate Risk

The Bank's policy is to minimize interest rate cash flow risk exposures. As of December 31, 2022 and 2021, the Bank is exposed to changes in market interest rates through its short-term placements which form part of amounts due from other banks and debt securities, which are subject to variable interest. All other financial assets and financial liabilities either have fixed interest rates or are non interest-bearing.

The following table illustrates the sensitivity of the Bank's profit before tax and equity to a reasonably possible change in interest rates of its short-term placements and debt securities, with all other variables held constant.

	+/- %	Profit Before Tax	Equity
2022:			
Due from other banks	0.88%	P 2,511,799	P 1,883,850
Financial assets at FVOCI	1.27%	42,475,673	31,856,754
Investment securities at amortized cost	1.27%	88,596,991	66,447,743
		P 133,584,463	**P 100,188,347**
2021:			
Due from other banks	0.46%	P 1,318,875	P 1,055,100
Financial assets at FVOCI	0.49%	1,875,794	1,500,635
Investment securities at amortized cost	0.49%	28,263,535	22,610,828
		P 31,458,204	P 25,166,563

The changes in interest rates used in the analysis of short-term placements are based on the volatility of the BSP's compilation of domestic rates on short-term placements computed using standard deviation. The changes in interest rates used in the analysis of trading and investment securities have been determined based on the average volatility in interest rates of the said investments in the past 12 months.

(b) Other Price Risk

The Bank's market price risk arises from its investments carried at fair value (i.e., financial assets at FVOCI). The Bank manages exposures to price risk by monitoring the changes in the market price of the investments and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

For financial assets at FVOCI held by the Bank, an average volatility of 5.00% and 6.00% has been observed during 2022 and 2021, respectively. If quoted price for these securities increased or decreased by that amount, equity would have changed by P8.5 million and P11.0 million in 2022 and 2021, respectively.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Bank's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored.

4.3.3 Liquidity Risk

Liquidity risk is the risk that funds available may not be adequate to meet the credit demands of the Bank's customers and repay deposits when these become due. The Bank manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a loan portfolio with evenly-spaced maturities and cash flows. In addition, the Bank seeks to maintain sufficient liquidity to take advantage of interest rate opportunities when they arise.

The analysis of the maturity groupings of the Bank's financial assets and financial liabilities (at gross amounts) as at December 31, 2022 and 2021 is presented below.

	Due Within One Year	Due Beyond One Year but Within Five Years	Due Beyond Five Years	Total
December 31, 2022:				
Financial Resources:				
Cash	P 126,910,755	P -	P -	P 126,910,755
Due from BSP	2,554,667,407	-	-	2,554,667,407
Due from other banks	283,995,059	-	-	283,995,059
Investment securities:				
At FVOCI	-	2,671,648,672	682,983,412	3,354,632,084
At amortized cost	107,683,850	3,323,565,823	3,565,999,690	6,997,249,363
Loans and receivables	16,730,165,539	20,599,380,582	239,203,357	37,568,749,478
Rental and utilities deposits	-	-	26,112,334	26,112,334
Total	19,803,422,610	26,594,595,077	4,514,298,793	50,912,316,480
Financial Liabilities:				
Deposit liabilities	26,093,111,540	6,129,091,955	82,687,222	32,304,890,717
Accounts payable and other liabilities	1,110,843,202	39,038,561	31,223,214	1,181,104,977
Total	27,203,954,742	6,168,130,516	113,910,436	33,485,995,694
Periodic Surplus (Gap)	(7,400,532,132)	20,426,464,561	4,400,388,357	17,426,320,786
Cumulative Total Surplus (Gap)	**(P 7,400,532,132)**	**P 13,025,932,429**	**P 17,426,320,786**	**P -**
December 31, 2021:				
Financial Resources:				
Cash	P 117,680,451	P -	P -	P 117,680,451
Due from BSP	6,114,137,502	-	-	6,114,137,502
Due from other banks	285,254,259	-	-	285,254,259
Investment securities:				
At FVOCI	258,866,709	126,759,943	-	385,626,652
At amortized cost	493,432,959	2,835,428,956	2,439,206,546	5,768,068,461
Loans and receivables	10,700,667,984	21,726,392,829	2,048,534,313	34,475,595,126
Rental and utilities deposits	-	-	25,343,297	25,343,297
Total	17,970,039,864	24,688,581,728	4,513,084,156	47,171,705,748
Financial Liabilities:				
Deposit liabilities	22,686,532,990	7,756,831,951	31,648,218	30,475,013,159
Accounts payable and other liabilities	606,457,887	62,314,129	17,278,887	686,050,903
Total	23,292,990,877	7,819,146,080	48,927,105	31,161,064,062
Periodic Surplus (Gap)	(5,322,951,013)	16,869,435,648	4,464,157,051	16,010,641,686
Cumulative Total Surplus (Gap)	(P 5,322,951,013)	P 11,546,484,635	P 16,010,641,686	P -

The Bank expects that a substantial portion of the deposit liabilities with maturity of one year or less will be rolled over upon maturity.

4.3.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The management of operational risk has two key objectives: (a) minimize the impact of losses – financial and non-financial – both in the normal course of business and from extreme events; and, (b) improve the effective management of the Bank and strengthen its brand and external reputation.

The Bank uses the following operational risk management tools to properly identify and assess operational risk:

(a) Loss Event Reporting

Internal operational loss data provides meaningful information for assessing exposure to operational risk and effectiveness of internal control. Business units are required to report their loss events within 24 hours.

(b) Key Risk Indicator (KRI)

KRIs provide an insight into emerging risk exposure that contribute to early detection of operational risk.

(c) Risk and Control Self-Assessment (RCSA)

RCSA evaluates residual risk (the risk exposure after controls are considered) and the effectiveness of the controls.

4.3.5 Anti-Money Laundering Controls

The Republic Act (R.A.) No. 9160 of 2001 also known as the Anti-Money Laundering Act (AMLA), as amended by R.A. 9194 (March 2003), R.A. 10167 (June 2012), R.A. 10365 (March 2013) and R.A. 10927 (July 2017) is an act defining crime of money laundering, providing penalties therefore and for other purpose. Pursuant to AMLA, it is the policy of the state to protect and preserve the integrity and confidentiality of bank accounts to ensure that the Philippines shall not be used as a money laundering site for the proceeds of any unlawful activity.

Adopting a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program, a Board-approved manual was created in compliance with BSP Circular no. 706, as amended by Circulars 950 and 1022; and Anti-Money Laundering Council (AMLC) and Anti-Money Laundering (AML) related SEC Issuances.

As a minimum, the Bank implements rules in accordance with the four major areas for compliance as follows:

(a) Customer Identification and Due Diligence

The Bank implements appropriate due diligence that corresponds to the risk profile of the client during on-boarding and all throughout the existence of business relationship with its customers.

The Bank performs appropriate due diligence based of the resultant risk profile of the customer using the Bank's AML Risk Score Sheet. In particular, due diligence is done when the Bank establishes business relations with any customer; there is suspicion of money laundering or terrorist financing; or there is doubt about the veracity or adequacy of previously obtained customer information data.

(b) *Covered and Suspicious Transaction Monitoring and Reporting*

The Bank implements monitoring and timely, complete, and accurate reporting of covered and suspicious transactions of all customers across all products.

The Bank, being a covered person under the supervision of BSP is mandated by the AMLC to monitor and submit covered transaction reports and suspicious transaction reports.

For bank compliance, the former covers a transaction in cash or other equivalent monetary instrument exceeding P500,000 while the latter refers a report on suspicious transaction, regardless of amount, where any of the suspicious circumstances as defined in the 2018 Revised Implementing Rules and Regulations (RIRR), as amended, is determined, based on suspicions or, if available, reasonable grounds, to be existing.

(c) *Record Keeping and Retention*

The Bank provides and implements Policy on Record Keeping and Retention to ensure confidentiality and protection of all customer records and transactions.

For Identification Records, it is maintained and safely stored as long as the account is active; for Transaction Records, these are maintained and safely stored for five years from the date of transactions; and for Closed Accounts, records on customer identification, account files and business correspondences are preserved and safely stored for at least five years from date of closure. In the event that there will be money laundering case filed in court, the Bank's policy provides that records should be retained beyond five years until confirmed that the case has been terminated by the court.

(d) *AML Training Program*

All Bank officers and staff are provided with effective training and continuing education programs to enable them to fully comply with all their obligations under the AMLA, the RIRR, and other AMLC issuance.

In coordination with the Bank's Lending and Development Department, the BOD, Officers and Staff are provided modularized AML Training Program commensurate to their duties responsibilities.

The Audit and Compliance committee composed of three independent directors oversees the implementation of the Bank's compliance program, money laundering prevention program and ensuring regulatory compliance issues are resolved expeditiously. At the forefront of the implementation of its mandate is the Compliance Group, headed by the Chief Compliance Officer (CCO). There were no significant changes in the Bank's AML policies in 2022.

The CCO regularly reports to the Audit and Compliance Committee and to the BOD, relevant regulatory updates and results of its monitoring of AMLA compliance.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below.

	Notes	2022 Carrying Amounts	2022 Fair Values	2021 Carrying Amounts	2021 Fair Values
Financial Assets:					
At amortized cost:					
Cash		**P 126,910,755**	**P 126,910,755**	P 117,680,451	P 117,680,451
Due from BSP		**2,554,667,407**	**2,554,667,407**	6,114,137,502	6,114,137,502
Due from other banks		**283,995,059**	**283,995,059**	285,254,259	285,254,259
Investment securities at amortized cost - net	8	**6,997,188,953**	**6,505,213,627**	5,768,068,461	5,780,128,486
Loans and receivables	9	**34,999,052,078**	**35,996,244,597**	32,105,503,533	33,552,102,365
Rental and utilities deposits		**26,112,334**	**26,112,334**	25,343,297	25,343,297
		44,987,926,586	**45,493,143,799**	44,415,987,503	45,874,646,360
At fair value – Investment securities at FVOCI		**3,354,632,084**	**3,354,632,084**	385,626,652	385,626,652
		P48,342,558,670	**P48,847,775,863**	P44,801,614,155	P 46,260,273,015
Financial Liabilities:					
At amortized cost:					
Deposit liabilities	15	**P32,304,890,717**	**P30,101,518,752**	P 30,475,013,159	P 30,278,248,178
Accrued expenses and other liabilities	16	**1,181,104,977**	**1,181,104,977**	686,050,903	686,050,903
		P33,485,995,694	**P31,282,623,729**	P 31,161,064,062	P 30,964,299,081

5.2 Offsetting of Financial Assets and Financial Liabilities

The following financial assets in the statements of financial position are subject to offsetting, enforceable master netting arrangements or similar agreements (amounts in thousands of Philippine pesos):

	Gross amounts recognized in the statement of financial position: Financial instruments	Gross amounts recognized in the statement of financial position: Amount set-off	Net amount presented in statement of financial position	Related amounts not set-off in the statement of financial position: Financial instruments	Related amounts not set-off in the statement of financial position: Collateral received	Net amount
December 31, 2022						
Financial assets:						
Loans and receivables	**P 35,258,444**	**(P 259,392)**	**P 34,999,052**	**P 34,999,052**	**(P 2,555,585)**	**P 32,443,467**
Financial liabilities:						
Deposit liabilities	P 32,304,891	P -	P 32,304,891	P 32,304,891	(P 691,618)	P 31,613,273
Accounts payable and other liabilities	2,022,521	(259,392)	1,763,129	1,763,129	-	1,763,129
Deposit liabilities	**P 34,327,412**	**(P 259,392)**	**P 34,068,020**	**P 34,068,020**	**(P 691,618)**	**P 33,376,402**
December 31, 2021						
Financial assets:						
Loans and receivables	P 32,130,837	(P 25,333)	P 32,105,504	P 32,105,504	(P 2,831,824)	P 27,643,189
Financial liabilities:						
Deposit liabilities	P 30,475,013	P -	P 30,475,013	P 30,475,013	(P 694,896)	P 29,780,117
Accounts payable and other liabilities	1,153,187	(25,333)	1,127,854	1,127,854	-	1,127,854
Deposit liabilities	P 31,628,200	(P 25,333)	P 31,602,867	P 31,602,867	(P 694,896)	P 30,907,971

For purposes of presenting this information, the related amounts set-off in the statements of financial position pertains to the receivable of the Bank from its associate which is netted against its payable to the latter.

On the other hand, the related amounts not set-off in the statements of financial position pertains to hold-out deposits and reverse repurchase agreements which serve as the Bank's collateral enhancement for certain loans and receivables.

For financial assets subject to enforceable master netting arrangements or similar arrangements between the Bank and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

6. FAIR VALUE MEASUREMENT AND DISCLOSURE

6.1 Fair Value Hierarchy

In accordance with PFRS 13*, Fair Value Measurement*, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

6.2 Financial Instruments Measured at Fair Value

The table below and in the succeeding page shows the fair value hierarchy of the Bank's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as at December 31, 2022 and 2021.

	Level 1	Level 2	Level 3	Total
December 31, 2022:				
Financial assets				
at FVOCI:				
Debt securities	P 3,184,306,084	P -	P -	P 3,184,306,084
Equity securities	170,326,000	-	-	170,326,000
	P 3,354,632,084	**P -**	**P -**	**P 3,354,632,084**

	Level 1	Level 2	Level 3	Total
December 31, 2021:				
Financial assets				
at FVOCI:				
Debt securities	P 201,978,602	P -	P -	P 201,978,602
Equity securities	183,648,050	-	-	183,648,050
	P 385,626,652	P -	P -	P 385,626,652

Described below are the information about how the fair values of the Bank's classes of financial assets and financial liabilities were determined.

(a) Government and Corporate Debt Securities

The fair value of the Group's government and corporate debt securities are categorized within Level 1 of the fair value hierarchy.

Fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables.

Fair values of actively traded corporate debt securities are determined based on their market prices quoted in the Philippine Dealing Holdings System or based on the direct reference price per Bloomberg at the end of each reporting period; hence, categorized within Level 1.

(b) Equity Securities

The fair values of equity securities classified as financial assets at FVOCI as of December 31, 2022 and 2021 were valued based on their market prices quoted in the Philippine Stock Exchange at the end of each reporting period; hence, categorized within Level 1.

There were neither transfers between Levels 1 and 2 nor changes to Level 3 instruments in both years.

6.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below summarize the fair value hierarchy of the Bank's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Level 1	**Level 2**	**Level 3**	**Total**
December 31, 2022				
Financial assets:				
Cash	P 126,910,755	P -	P -	P 126,910,755
Due from BSP	2,554,667,407	-	-	2,554,667,407
Due from other banks	283,995,059	-	-	283,995,059
Investment securities at amortized cost – net	6,505,213,627	-	-	6,505,213,627
Loans and receivables – net	1,863,967,047	-	34,132,277,550	35,996,244,597
Rental and utilities deposits	-	-	26,112,334	26,112,334
	P 11,334,753,895	**P -**	**P 34,158,389,884**	**P 45,493,143,779**
Financial liabilities:				
Deposit liabilities	P -	P -	P 30,101,518,752	P 30,101,518,752
Accounts payable and other liabilities	-	-	1,181,104,977	1,181,104,977
	P -	**P -**	**P 31,282,623,729**	**P 31,282,623,729**

December 31, 2021	Level 1		Level 2		Level 3		Total
Financial assets:							
Cash	P	117,680,451	P	-	P	-	P 117,680,451
Due from BSP		6,114,137,502		-		-	6,114,137,502
Due from other banks		285,254,259		-		-	285,254,259
Investment securities at amortized cost – net		5,780,128,486		-		-	5,780,128,486
Loans and receivables – net		2,136,928,156		-		31,415,174,209	33,552,102,365
Rental and utilities deposits		-		-		25,343,297	25,343,297
	P	14,434,128,854	P	-	P	31,440,517,506	P 45,874,646,360
Financial liabilities:							
Deposit liabilities	P	-	P	-	P	30,278,248,178	P 30,278,248,178
Accounts payable and other liabilities		-		-		686,050,903	686,050,903
	P	-	P	-	P	30,964,299,081	P 30,964,299,081

The fair values of financial assets and financial liabilities not presented at fair value in the statements of financial position are determined as follows:

(a) Cash, Due from BSP and Other Banks

Due from BSP pertains to deposits made by the Bank to BSP for clearing and reserve requirements. Due from other banks includes interbank deposits and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximates the nominal value.

(b) Loans and Receivables

Loans and other receivables are net of impairment losses. The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flows expected to be received. Long term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value.

(c) Investments at Amortized Cost

The fair values of actively traded corporate debt securities are determined based in their market prices quoted in the Philippine Dealing and Exchange Corp. or based on the direct reference price per Bloomberg at the end of each reporting period; hence, categorized within Level 1.

(d) Other Financial Assets

Other financial assets pertain to rental and utilities deposits which are included in the Other Resources account. Management ascertained that the carrying amounts of these items in the statements of financial position are considered to be reasonable approximation of their fair values.

(e) Deposits Liabilities

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(f) Accounts Payable and Other Liabilities

Accounts payable and other liabilities classified as financial liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Due to their short-duration, management ascertained that the fair values of these short-term liabilities approximate their carrying values.

6.4 Fair Value Measurement for Non-financial Assets

(a) Determining Fair Value of Investment Properties

The table below shows the levels within the hierarchy of investment properties measured at fair value on a recurring basis as at December 31, 2022 and 2021.

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Land	P -	P 418,878,864	P -	P 418,878,864
Buildings and improvements	-	-	249,041,272	249,041,272
	P -	**P 418,878,864**	**P 249,041,272**	**P 667,920,136**

	2021			
	Level 1	Level 2	Level 3	Total
Land	P -	P 281,228,522	P -	P 281,228,522
Buildings and improvements	-	-	124,373,039	124,373,039
	P -	P 281,228,522	P 124,373,039	P 405,601,561

The fair value of the Bank's investment properties is determined on the basis of the appraisals performed by various internal and external appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Bank's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location.

In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Bank's non-financial assets indicated above is their current use.

The fair value of these non-financial assets were determined based on the following approaches:

(i) Fair Value Measurement for Land

The Level 2 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property with no adjustment on the price, fair value is included in Level 2. On the other hand, if the observable recent prices of the reference properties were adjusted for differences in key attributes such as property size, zoning, and accessibility, the fair value is included in Level 3. The most significant input into this valuation approach is the price per square foot, hence, the higher the price per square foot, the higher the fair value.

(ii) Fair Value Measurement for Buildings and Improvements

The Level 3 fair value of the buildings under the Investment Properties account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractors' quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

(b) Determining Fair Value of Assets Held for Sale

The fair value of the Bank's assets held for sale for repossessed motorcycles amounting to P420.2 million and P488.2 million in 2022 and 2021, respectively, are determined based on the recent experience in the valuation of similar properties. The fair values, determined under Level 3 measurement, were derived using the market data approach that reflects the recent transaction prices for similar properties, adjusted for differences in property age and condition.

There has been no change to the valuation techniques used by the Bank during the year for its non-financial assets. Also, there were no transfer into or out of Level 3 fair value hierarchy in 2022 and 2021.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as at December 31:

	Note	**2022**	2021
Cash		**P 126,910,755**	P 117,680,451
Due from BSP		**2,554,667,407**	6,114,137,502
Due from other banks		**283,995,059**	285,254,259
Receivables arising from reverse repurchase agreement	9	**1,863,967,047**	2,136,928,156
		P 4,829,540,268	P 8,654,000,368

Cash accounts with other banks generally earn interest based on daily bank deposit rates. Short-term placements, which are included as part of Due from Other Banks, are made for varying periods between seven and 30 days and earn annual effective interest at rates ranging from 0.25% to 3.50% in both 2022 and 2021.

The Bank maintains account with the BSP for regular reserve requirement and a special depository account. Due from BSP, excluding mandatory reserves, which has no interest, bears annual interest rate ranging from 1.50% to 6.45% in 2022, and from 1.50% to 2.0% in 2021.

Interest income from Due from BSP amounted to P114.3 million and P126.8 million in 2022 and 2021, respectively; while interest income from Due from Other Banks amounted to P4.7 million and P9.5 million in 2022 and 2021, respectively. Both are presented as Interest Income from Due from BSP and Other Banks in the statements of profit or loss.

In accordance with BSP regulations, the Bank is required to maintain regular reserves against savings, time deposits and demand deposits at 3.00% of the outstanding balance thereof in both 2022 and 2021. The Bank has satisfactorily complied with the reserve requirements of the BSP as at December 31, 2022 and 2021 (see Note 15).

Receivables arising from reverse purchase agreement arise from BSP's purchases of government securities from the Bank with a commitment to sell it back at a specified future date. In the case of the Bank, the receivables arising from reverse purchase agreement mature within one week, hence, classified as cash equivalents with interest rates ranging from 2.50% to 5.50% in 2022 and at 2.00% in 2021. The receivables arising from reverse purchase agreement are secured by certain government securities of the BSP (see Note 4.3.1.5).

8. INVESTMENT SECURITIES

This account is comprised of:

	2022	2021
Investment securities at amortized cost	**P 6,997,188,953**	P 5,768,068,461
Financial assets at FVOCI	**3,354,632,084**	385,626,652
	P 10,351,821,037	P 6,153,695,113

8.1 Investment Securities at Amortized Cost

Investment securities at amortized cost as at December 31, 2022 and 2021 consist of:

	2022	2021
Government securities	**P 5,947,171,988**	P 4,642,085,072
Corporate debt securities	**1,050,016,965**	1,125,983,389
	P 6,997,188,953	P 5,768,068,461

Interest rates per annum on government securities range from 2.88% to 6.13% both in 2022 and 2021 while interest rates per annum on corporate debt securities range from 1.30% to 6.15% in 2022, and from 5.16% to 6.60% in 2021. The total interest earned amounted to P256.0 million and P26.5 million in 2022 and 2021, respectively, and are presented as part of Interest Income on Investment Securities in the statements of profit or loss.

The reconciliation of the carrying amounts of these financial assets are as follows:

	2022	2021
Balance at beginning of year	**P 5,768,068,461**	P 456,444,540
Additions	**1,675,710,000**	50,000,000
Redemption	**(395,730,889)**	(230,360,286)
Amortization of premium	**(50,798,208)**	(4,685,793)
Impairment loss	**(60,411)**	-
Transfer from FVOCI classification	**-**	5,496,670,000
Balance at end of year	**P 6,997,188,953**	P5,768,068,461

In 2020, the Bank disposed of certain corporate debt securities amounting to P466.2 million. The Bank assessed that the disposal of these investment securities at amortized cost under the HTC portfolio in 2020 is no longer consistent with the Bank's held-to-collect business model. Accordingly, on December 1, 2020, the carrying amount of corporate debt securities amounting to P1.5 billion was reclassified to financial assets at FVOCI, with unrealized fair value gains transferred amounting to P42.9 million.

In 2021, after a one-year observation period, the Bank assessed that the objective of collecting contractual cash flows from certain financial assets at FVOCI complied with the Bank's held-to-collect business model. Accordingly, the carrying amount of corporate debt securities amounting to P5.5 billion was reclassified back to investment securities at amortized cost. The cumulative gain previously recognized in other comprehensive income amounting to P108.9 million was removed from equity and adjusted against the fair value of the corporate debt securities at the reclassification date. The related reversal of impairment allowance amounted to P54,225 and is presented as part of the Other Comprehensive Income in the 2021 statement of comprehensive income.

There were no disposal of investment securities at amortized cost in both 2022 and 2021.

8.2 Financial Assets at FVOCI

Financial assets at FVOCI as at December 31, 2022 and 2021 consist of:

	2022	2021
Debt securities	**P 3,184,306,084**	P 201,978,602
Equity securities	**170,326,000**	183,648,050
	P 3,354,632,084	P 385,626,652

The reconciliation of the carrying amounts of these financial assets are as follows:

	2022	2021
Balance at the beginning of year	**P 385,626,652**	P 1,647,723,274
Additions	**3,232,670,000**	4,997,590,000
Fair value gains losses	**(120,081,658)**	(42,211,244)
Disposals	**(75,000,000)**	(714,920,000)
Amortization of discount	**(68,582,910)**	(6,174,809)
Reversal of impairment	**-**	289,431
Transfer to investment securities at amortized cost	**-**	(5,496,670,000)
Balance at end of year	**P 3,354,632,084**	P 385,626,652

The fair value changes in the Bank's financial assets at FVOCI amounted to P120.1 million and P42.2 million for equity securities and corporate debt securities in 2022 and 2021, respectively, which are recognized as part of other comprehensive income and presented in the statements of comprehensive income.

The total interest earned from financial assets at FVOCI amounted to P149.7 million and P110.4 million in 2022 and 2021, respectively, and are presented as part of Interest Income on Investment Securities in the statements of profit or loss. In 2021, the total realized gain recognized by the Bank from the disposal of debt securities classified as financial assets at FVOCI amounted to P1.8 million and this is presented as part of Miscellaneous income under Other Operating Income in the 2021 statement of profit or loss (see Note 18.1). There is no similar realized gain or loss recognized on disposal of financial assets at FVOCI in 2022.

Dividends earned from financial assets at FVOCI amounting to P6.6 million and P5.9 million in 2022 and 2021, respectively, and are presented as Dividend income under Other Operating Income in the statements of profit or loss (see Note 18.1).

9. LOANS AND RECEIVABLES

This account consists of the following:

	Notes	2022	2021
Receivables from customers:			
Motorcycle loans		**P 24,858,257,541**	P23,742,763,981
Commercial loans		**6,664,460,317**	5,600,410,902
Other retail loans		**1,973,442,356**	1,115,293,568
		33,496,160,214	30,458,468,451
Other receivables:			
Receivables arising from reverse repurchase agreement	7	**1,863,967,047**	2,136,928,156
Capitalized loan origination costs		**974,948,810**	906,781,186
Accrued interest receivable		**931,155,558**	858,447,268
Accounts receivable		**269,610,668**	87,889,128
Sales contracts receivable		**31,478,020**	27,080,937
Dividend receivable		**1,429,161**	-
		4,072,589,264	4,017,126,675
Allowance for impairment		**(2,569,697,400)**	(2,370,091,593)
	20.1	**P 34,999,052,078**	P32,105,503,533

The annual effective interest rates on these loans range from 2.33% to 60.97%, and from 2.69% to 60.07% in 2022 and 2021, respectively. The total interest earned amounted to P8.3 billion and P8.0 billion in 2022 and 2021, respectively, and is presented as Interest Income on Loans and Receivables in the statements of profit or loss.

All of the Bank's loans and receivables have been reviewed for impairment. Certain loans and receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized.

The changes in the allowance for impairment are summarized below.

	2022	2021
Balance at beginning of year	**P 2,370,091,593**	P 2,451,654,111
Impairment losses during the year	**1,474,913,304**	1,359,378,842
Write-off	**(630,726,796)**	(869,606,996)
Derecognition due to foreclosure:		
Motorcycle and consumer loans	**(644,580,701)**	(442,695,259)
Business loans	**-**	(128,639,105)
Balance at end of year	**P 2,569,697,400**	P 2,370,091,593

10. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of bank premises, furniture, fixtures and equipment at the beginning and end of 2022 and 2021 are shown below.

	Building and Improvements	Furniture, Fixtures and Equipment	Land	Total
December 31, 2022				
Cost	P 289,206,307	P 377,529,451	P 63,005,278	P 729,741,036
Accumulated depreciation and amortization	(251,534,581)	(362,904,454)	-	(614,439,035)
Net carrying amount	**P 37,671,726**	**P 14,624,997**	**P 63,005,278**	**P 115,302,001**
December 31, 2021				
Cost	P 283,226,235	P 352,441,260	P 63,005,278	P 698,672,773
Accumulated depreciation and amortization	(237,199,911)	(340,476,356)	-	(577,676,267)
Net carrying amount	P 46,026,324	P 11,964,904	P 63,005,278	P 120,996,506
January 1, 2021				
Cost	P 277,728,371	P 335,500,062	P 63,005,278	P 676,233,711
Accumulated depreciation and amortization	(211,869,657)	(323,682,263)	-	(535,551,920)
Net carrying amount	P 65,858,714	P 11,817,799	P 63,005,278	P 140,681,791

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of bank premises, furniture, fixtures and equipment is shown below.

	Building and Improvements	Furniture, Fixtures and Equipment	Land	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 46,026,324	P 11,964,904	P 63,005,278	P 120,996,506
Additions	5,540,717	19,014,987	-	24,555,704
Depreciation and amortization charges for the year (Note 18.2)	(13,895,315)	(16,354,894)	-	(30,250,209)
Balance at December 31, 2022, net of accumulated depreciation and amortization	**P 37,671,726**	**P 14,624,997**	**P 63,005,278**	**P 115,302,001**
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 65,858,714	P 11,817,799	P 63,005,278	P 140,681,791
Additions	5,497,864	16,941,198	-	22,439,062
Depreciation and amortization charges for the year (Note 18.2)	(25,330,254)	(16,794,093)	-	(42,124,347)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 46,026,324	P 11,964,904	P 63,005,278	P 120,996,506

Under BSP rules, investments in bank premises, furniture, fixtures and other equipment should not exceed 50% of a bank's unimpaired capital. As of December 31, 2022 and 2021, the Bank has satisfactorily complied with this BSP requirement.

As at December 31, 2022 and 2021, the total cost of fully depreciated bank premises, furniture, fixtures and equipment that is still currently being used by the Bank in operations amounts to P451.0 million and P324.4 million, respectively.

11. LEASES

The Bank has leases for its head office, branches and warehouses. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use assets and in respect of the related obligation, as lease liability under Accounts Payable and Other Liabilities (see Note 16). Leases have terms ranging from one to 20 years with renewal options and annual escalation rates from 4.0% to 10.0%.

Each lease imposes a restriction that the right-of-use assets can only be used by the Bank. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Bank is prohibited from selling or pledging the underlying leased assets as security. The Bank must keep those premises in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The use of extension and termination options gives the Bank added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Banks business expansion units strategy and the economic benefits of exercising the option exceeds the expected overall cost.

	Number of right-of-use assets leased	Range of remaining term	Average remaining term
Office and related facilities	4	4 - 5 years	4.5 years
Branches	105	1 - 6 years	2 years
Warehouse and related facilities	7	1 - 4 years	2 years

11.1 Right-of-use Assets

The carrying amounts of the Bank's right-of-use assets as at December 31, 2022 and 2021, and the movements during the periods are shown below.

	Head Office	Branches	Warehouses	Total
Balance at beginning of year	P 12,132,496	P 97,495,468	P 3,931,501	P 113,559,465
Additions	6,979,739	-	7,998,277	14,978,016
Amortization	(12,715,386)	(32,274,055)	(10,151,374)	(55,140,815)
Balance at end of year	**P 6,396,849**	**P 65,221,413**	**P 1,778,404**	**P 73,396,666**
Balance at beginning of year	P 30,331,240	P 144,902,134	P 5,332,331	P 180,565,705
Addition	-	4,472,411	-	4,472,411
Amortization	(18,198,744)	(51,879,077)	(1,400,830)	(71,478,651)
Balance at end of year	P 12,132,496	P 97,495,468	P 3,931,501	P 113,559,465

Depreciation and amortization of right-of-use assets is presented as part of Depreciation and amortization under Other Operating Expenses account in the statements of profit or loss (see Note 18.2).

11.2 Lease Liabilities

The reconciliation of the Bank's lease liabilities arising from financing activities is presented below.

	2022	2021
Balance at the beginning of year	**P 130,451,938**	P 197,587,862
Cash flows from financing activities –		
Lease payments	**(65,867,996)**	(82,906,261)
Non-cash financing activities:		
Additional lease liabilities	**14,978,016**	4,472,411
Amortization of interest	**7,931,376**	11,297,926
Balance at end of year (see Note 16)	**P 87,493,334**	P 130,451,938

The total interest expense in relation to lease liabilities amounted to P7.5 million and P11.3 million in 2022 and 2021, respectively, and are presented under Interest Expense on Lease Liabilities in the statements of profit or loss.

As at December 31, 2022 and 2021, the Bank has no committed leases which have not yet commenced.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities as at December 31, 2022 and 2021 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	Total
2022:							
Lease payments	P 19,370,480	P 24,875,027	P 7,644,134	P 5,830,932	P 4,368,827	P 33,335,310	P 95,424,710
Finance charges	(2,138,921)	(2,053,569)	(764,962)	(572,380)	(289,447)	(2,112,097)	(7,931,376)
Net present values	**P 17,231,559**	**P 22,821,458**	**P 6,879,172**	**P 5,258,552**	**P 4,079,380**	**P 31,223,213**	**P 87,493,334**
2021:							
Lease payments	P 58,215,162	P 37,102,990	P 18,427,890	P 9,395,911	P 7,988,479	P 19,038,674	P 150,169,106
Finance charges	(7,356,240)	(4,585,107)	(2,753,361)	(1,889,268)	(1,373,405)	(1,759,787)	(19,717,168)
Net present values	P 50,858,922	P 32,517,883	P 15,674,529	P 7,506,643	P 6,615,074	P 17,278,887	P 130,451,938

11.3 Lease Payments Not Recognized as Liabilities

The Bank has elected not to recognize lease liabilities for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. There are no lease commitments related to short-term leases.

In 2022 and 2021, the expenses relating short-term leases and low-value assets amounted to P51.6 million and P21.4 million, respectively, and are presented as Rentals under Other Operating Expenses in the statements of profit or loss (see Note 18.2).

12. ASSETS HELD FOR SALE

Assets held for sale include repossessed motor vehicles that the Bank intends to sell within one year from the date these were classified as held for sale and is committed to immediately dispose the assets through an active marketing program. The total repossessed motor vehicles amounted to P321.6 million and P364.2 million for December 31, 2022 and 2021, respectively.

The breakdown of repossessed motor vehicles is shown below.

	2022	2021
Cost	**P 420,867,456**	P 489,784,744
Allowance for impairment	**(99,298,482)**	(125,609,604)
	P 321,568,974	P 364,175,140

The reconciliation of the movements of the gross amount of asset held for sale is summarized below.

	2022	2021
Balance at beginning of year	**P 489,784,744**	P 489,932,228
Sales	**(1,856,118,960)**	(2,168,057,508)
Additions	**1,854,283,078**	2,360,508,036
Redeemed	**(41,348,078)**	(54,683,221)
Other adjustments	**(25,733,328)**	(137,914,791)
Balance at end of year	**P 420,867,456**	P 489,784,744

The Bank recognized gain of P382.7 million and P44.3 million in 2022 and 2021, respectively, from the sale of assets held for sale and is presented as part of Gain on sale of properties under the Other Operating Income, in the statements of profit or loss (see Note 18.1). These gains are computed after consideration of the net book value of assets held-for-sale, which is the gross balance less allowance for impairment (see Note 2.6).

The reconciliation of allowance for impairment losses is summarized as follows.

		2022		2021
Balance at beginning of year	**P**	**125,609,604**	P	132,787,575
Derecognition due to disposal	**(**	**311,620,157)**	(	393,167,387)
Impairment losses		**285,309,035**		385,989,416
Balance at end of year	**P**	**99,298,482**	P	125,609,604

12.1 Sale of investment in an associate

In 2020, the Bank started negotiations with certain third parties for the disposal of the Bank's investment. In accordance with PFRS 5, *Non-current Assets Held for Sales and Discontinued Operations*, the Bank has classified its investment in BFC as held for sale as of December 31, 2020 since its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The fair value less costs to sell was determined to be higher than the carrying value of the investment, hence, no loss on remeasurement was recorded on the transaction.

In May 2021, the sale has been finalized for total proceeds of P1.0 billion and resulted in a gain of P30.6 million presented as part of Gain on sale of properties under Other Operating Income in the 2021 statement of comprehensive income (see Note 18.1).

13. INVESTMENT PROPERTIES

Investment properties include land and buildings and improvements acquired by the Bank through foreclosure or dacion of outstanding loans by the borrowers held for capital appreciation.

The gross carrying amounts and accumulated depreciation and impairment of investment properties at the beginning and end of 2022 and 2021 are presented below.

		Land		**Buildings and Improvements**		**Total**
December 31, 2022						
Cost	P	82,250,902	P	191,149,596	P	273,400,498
Accumulated depreciation		-	(	105,449,065)	(	105,449,065)
Allowance for impairment	(	2,167,181)	(	131,505)	(	2,298,686)
Net carrying amount	**P**	**80,083,721**	**P**	**85,569,026**	**P**	**165,652,747**
December 31, 2021						
Cost	P	101,596,916	P	199,495,139	P	301,092,055
Accumulated depreciation		-	(	90,802,176)	(	90,802,176)
Allowance for impairment	(	2,751,598)	(	560,867)	(	3,312,465)
Net carrying amount	P	98,845,318	P	108,132,096	P	206,977,414
January 1, 2021						
Cost	P	106,253,922	P	184,472,417	P	290,726,339
Accumulated depreciation		-	(	73,130,491)	(	73,130,491)
Allowance for impairment	(	2,751,598)	(	560,867)	(	3,312,465)
Net carrying amount	P	103,502,324	P	110,781,059	P	214,283,383

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of investment properties is shown below.

	Land	Buildings and Improvements	Total
Balance at January 1, 2022 net of accumulated depreciation and impairment	P 98,845,318	P 108,132,096	P 206,977,414
Additions	1,321,487	338,742	1,660,229
Disposals	(20,083,084)	(3,720,354)	(23,803,438)
Depreciation charges for the year	-	(19,181,458)	(19,181,458)
Balance at December 31, 2022, net of accumulated depreciation and impairment	**P 80,083,721**	**P 85,569,026**	**P 165,652,747**
Balance at January 1, 2021 net of accumulated depreciation and impairment	P 103,502,324	P 110,781,059	P 214,283,383
Additions	12,917,316	19,543,283	32,460,599
Disposals	(17,574,322)	(1,937,355)	(19,511,677)
Depreciation charges for the year	-	(20,254,891)	(20,254,891)
Balance at December 31, 2021, net of accumulated depreciation and impairment	P 98,845,318	P 108,132,096	P 206,977,414

The Bank sold certain investment properties which resulted in a gain of P71.1 million and P41.0 million in 2022 and 2021, respectively, and is presented as part of Gain on sale of properties under the Other Operating Income in the statements of profit or loss (see Note 18.1). Additions in 2022 and 2021 include real and other properties acquired through foreclosure of assets amounting to P1.66 million and P32.5 million, respectively (see Note 9). Other information about the fair value measurement and disclosures related to investment properties are presented in Note 6.4.

14. OTHER RESOURCES

This account consists of:

	2022	2021
Intangible assets – net	**P 69,423,323**	P 103,223,739
Prepaid expenses	**41,760,702**	57,008,972
Rental and utilities deposits	**26,112,334**	25,343,297
Documentary stamps on hand	**25,083,002**	22,765,448
Advances to suppliers	**1,927,479**	3,305,729
Others	**22,607,943**	20,071,451
	P 186,914,783	P 231,718,636

The gross carrying amounts and accumulated depreciation and amortization of intangible assets at the beginning and end of 2022 and 2021 are shown below.

	Operating Licenses	Computer Software	Ongoing Software Development	Total
December 31, 2022				
Cost	P 114,136,477	P 278,298,108	P 5,056,448	P 397,491,033
Accumulated depreciation and amortization	(110,676,502)	(217,391,208)	-	(328,067,710)
Net carrying amount	**P 3,459,975**	**P 60,906,900**	**P 5,056,448**	**P 69,423,323**
December 31, 2021				
Cost	P 114,038,359	P 278,516,926	P 4,215,803	P 396,771,088
Accumulated depreciation and amortization	(110,168,555)	(183,378,794)	-	(293,547,349)
Net carrying amount	P 3,869,804	P 95,138,132	P 4,215,803	P 103,223,739
January 1, 2021				
Cost	P 113,573,754	P 212,166,548	P 55,326,555	P 381,066,857
Accumulated depreciation and amortization	(109,320,088)	(143,306,017)	-	(252,626,105)
Net carrying amount	P 4,253,666	P 68,860,531	P 55,326,555	P 128,440,752

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 intangible assets is shown below.

	Operating Licenses	Computer Software	Ongoing Software Development	Total
Balance at January 1, 2022, net of accumulated depreciation and amortization	P 3,869,804	P 95,138,132	P 4,215,803	P 103,223,739
Additions	491,400	1,196,871	840,645	2,528,916
Depreciation and amortization charges for the year (Note 18.2)	(901,229)	(35,428,103)	-	(36,329,332)
Balance at December 31, 2022, net of accumulated depreciation and amortization	**P 3,459,975**	**P 60,906,900**	**P 5,056,448**	**P 69,423,323**
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 4,253,666	P 68,860,531	P 55,326,555	P 128,440,752
Additions	98,118	-	15,239,626	15,337,744
Reclassification		66,350,378	(66,350,378)	-
Depreciation and amortization charges for the year (Note 18.2)	(481,980)	(40,072,777)	-	(40,554,757)
Balance at December 31, 2021, net of accumulated depreciation and amortization	P 3,869,804	P 95,138,132	P 4,215,803	P 103,223,739

Cost of ongoing software development pertains to accumulated costs incurred in constructing the Bank's new loans management system and general ledger system upgrade.

Prepaid expenses includes prepaid taxes, supplies, and life insurance of the employees.

Others includes various deposits, advances to suppliers, employee's car plans, and other assets.

15. DEPOSIT LIABILITIES

This account consists of:

	2022	2021
Time	**P 28,046,266,487**	P 23,845,163,727
Savings	**1,582,610,000**	1,822,151,813
Demand	**2,676,014,230**	4,807,697,619
	P 32,304,890,717	P 30,475,013,159

Interest rates on deposit liabilities range between 0.63% to 6.30% in both 2022 and 2021. Interest expense on deposit liabilities amounted to P869.3 million and P701.2 million in 2022 and 2021, respectively, and is presented as Interest Expense on Deposit Liabilities in the statements of profit or loss. The deposit liabilities are inclusive of accrued interest payable amounting to P0.4 billion and P0.3 billion as at December 31, 2022 and 2021, respectively.

Per BSP's MORB, the Bank is required to maintain reserve requirements (both for regular and liquidity reserves) with the BSP. The required reserves per deposit are as follows:

	2022	2021
Time	**P 841,387,995**	P 715,354,912
Savings	**47,478,300**	54,664,554
Demand	**80,280,427**	144,230,929
	P 969,146,722	P 914,250,395

The BSP's reserve requirement is composed of regular reserve and liquidity reserve requirement equivalent to 3.00% both in 2022 and 2021, respectively (see Note 7).

Currently, the Bank's reserves are maintained in the form of amounts due from BSP and alternative compliance in the form of loans to MSMEs and Eligible Large Enterprises as part of the COVID-19 relief granted by the BSP effective until June 30, 2023.

As of December 31, 2022 and 2021, the Bank's deposit liabilities are adequately covered by reserves as required by the BSP (see Note 7).

16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of:

	Notes	2022	2021
Accounts payable		**P 1,064,583,548**	P 540,792,674
Income tax payable		**192,365,699**	192,980,311
Retirement benefit obligation	19.2	**139,836,500**	127,754,100
Other taxes payable		**104,036,744**	90,580,722
Lease liabilities	11	**87,493,334**	130,451,938
Due to Philippine Deposit Insurance Corporation		**32,299,996**	30,488,244
Manager's checks		**22,046,888**	8,716,154
Others		**6,981,207**	6,090,137
		P 1,649,643,916	P 1,127,854,280

Accounts payable includes amounts due to the Bank's accredited dealers arising from the sale of motorcycles through financing loans granted to the buyers, accruals of operating expenses and amount dues to suppliers arising from the regular course of business.

Other taxes payable includes withholding taxes and gross receipt taxes.

Others include payables to Social Security System and accrued fringe benefit taxes, among others.

17. EQUITY

17.1 Capital Stock

The details of the Bank's capital stock as at December 31, 2022 and 2021 are as follows:

	Number of shares	Amount
Common shares – P10 par value		
Authorized	600,000,000	P 6,000,000,000
Issued and outstanding	500,000,000	P 5,000,000,000

The Bank has 57 and 54 stockholders as at December 31, 2022 and 2021, respectively, owning 100 or more shares each of the Bank's capital stock.

17.2 Cash Dividends Declared

On February 8, 2022 and February 9, 2021, the Bank's BOD approved the declaration of cash dividends on common shares amounting to P2.0 billion (P4.0 per share) each for both periods to stockholders of record as of December 31, 2022 and 2021, respectively. These dividends were fully paid on March 7, 2022 and March 26, 2021, respectively.

17.3 Capital Management and Regulatory Capital

The BSP, as a lead regulator, sets and monitors capital requirements for the Bank. In implementing current capital requirements, the BSP requires the Bank to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

Under current banking regulations, the qualifying capital accounts of the Bank should not be less than an amount equal to ten percent of its risk-weighted assets. The qualifying capital of the Bank for purposes of determining the capital-to-risk assets ratio is total capital funds excluding:

(a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
(b) total outstanding unsecured credit accommodations to DOSRI;
(c) investment in associate;
(d) deferred tax asset;
(e) goodwill, if any;
(f) sinking fund for redemption of redeemable preferred shares; and,
(g) other regulatory deductions.

Risk weighted assets consist of designated market risk and total risk-weighted assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

Under the relevant BSP regulations, the regulatory capital is analyzed into two tiers which are Tier 1 Capital plus Tier 2 Capital less allowable deductions from the total of Tier 1 and Tier 2 capital.

Tier 1 Capital and Tier 2 Capital are defined as follows:

a. Tier 1 Capital includes the following:
   i. paid-up common stock,
   ii. surplus,
   iii. surplus reserves, and,
   iv. undivided profits (for domestic banks only)

   Subject to deductions for:

   i. outstanding unsecured credit accommodations, both direct and indirect, to DOSRI, and,
   ii. deferred income tax.

b. Tier 2 Capital includes:

   i. perpetual and cumulative preferred stock,
   ii. net unrealized gains on underwritten listed equity securities purchased, and,
   iii. general loan loss provision.

The Bank's regulatory capital position as at December 31 is presented as follows (in thousand Philippine pesos):

		2022		2021
Tier 1 Capital	**P**	**15,244,177**	P	14,140,004
Tier 2 Capital		**320,574**		274,881
Total Regulatory Qualifying Capital	**P**	**15,564,751**	P	14,414,885
Total Risk Weighted Assets	**P**	**48,931,357**	P	45,603,591
Capital Ratios:				
Total regulatory capital expressed as percentage of total risk weighted assets		**31.81%**		31.61%
Total Tier 1 expressed as percentage of total risk weighted assets		**31.15%**		31.00%

As at December 31, 2022 and 2021, the Bank's capital adequacy ratios are 31.81% and 31.61%, respectively, which are higher than the BSP minimum requirement of 10.00% on the ratio of capital accounts against the risk weighted assets.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

17.4 Capital Management and Regulatory Capital

Under existing BSP regulations, the determination of the Bank's compliance with regulatory requirements and ratios is based on the amount of the Bank's "unimpaired capital" (regulatory net worth) reported to the BSP, determined on the basis of regulatory accounting policies, which differ from PFRS in some aspects (mainly in the recognition of deferred tax assets).

As of December 31, 2022 and 2021, the Bank's unimpaired capital, after considering the adjustments mentioned, is in compliance with the minimum capital requirement of the BSP of P2.0 billion.

17.5 Minimum Liquidity Ratio

On February 8, 2018, the BSP issued Circular No. 996, *Amendments to the Liquidity Coverage Ratio Framework for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks*, which provide guidance on and prescribes the prudential requirement for covered institutions to maintain eligible stock of liquid assets proportionate to the level of total qualifying liabilities (i.e., both on and off-balance sheet liabilities). Eligible liquid assets shall include cash and other liquid assets that are immediately liquefiable and free from encumbrances.

The Bank's Minimum Liquidity Ratio (MLR) as at December 31, 2022 and 2021 are analyzed below (amounts in millions except MLR figure).

		2022		2021
Eligible stock of liquid assets	**P**	**13,497**	P	13,124
Total qualifying liabilities		**33,598**		31,207
		40.17%		42.05%

The Bank complies with the MLR requirement of 16% effective April 1, 2020 until December 31, 2022 as part of the COVID-19 relief granted by the BSP. The regular MLR requirement of 20% will become effective in January 1, 2023.

18. OTHER OPERATING INCOME AND EXPENSES

18.1 Other Operating Income

This account is composed of the following:

	Notes		2022		2021
Fees and charges		**P**	**602,598,052**	P	796,826,578
Gain on sale of properties – net	12, 13		**453,780,440**		115,879,648
Recovery of written off accounts			**107,999,714**		57,203,761
Processing fees			**20,343,532**		48,386,893
Dividend income	8.2		**6,624,359**		5,868,990
Realized gain on disposal of investment securities			**-**		1,756,745
Miscellaneous			**18,691,309**		18,698,716
		P	**1,210,037,406**	P	1,044,621,331

Late payment fees (presented as fees and charges) are charged by the Bank to borrowers upon default. These charges are integral part of the Bank's core lending activities.

Gain on sale of properties – net includes recovery of previously unrecognized losses on repossessed properties.

Miscellaneous income includes foreign currency gains and service charges on ATMs, processing fees, among others.

18.2 Other Operating Expenses

This account is composed of the following:

	Notes	2022	2021
Outside services	20	**P 960,720,274**	P 1,014,314,038
Employee benefits	20.10, 19.1	**717,410,568**	674,581,771
Taxes and licenses		**691,957,728**	658,930,138
Depreciation and amortization	10, 11.1, 13, 14	**140,901,814**	174,412,646
Advertising and publicity		**98,501,545**	150,096,195
Insurance		**75,892,595**	71,055,864
Communication		**60,832,423**	57,194,542
Rentals	11.3	**51,623,555**	21,412,830
Security services		**42,074,935**	39,181,398
Fees and commissions	20.2	**35,394,822**	37,333,065
Supplies		**28,578,187**	26,478,594
Power, light and water		**26,887,019**	23,308,640
Janitorial and messengerial services		**24,525,171**	24,777,985
Information technology		**22,028,003**	13,390,860
Management and other professional fees		**15,191,760**	11,611,718
BSP Supervision fees and Other compliance cost		**13,148,976**	36,550,409
Repairs and maintenance		**12,897,941**	7,700,739
Transportation and travel		**12,638,860**	7,007,911
Fuel		**10,087,873**	6,415,986
Seminars and trainings		**8,556,016**	6,610,172
Litigation/assets acquired expenses		**5,254,309**	6,741,708
Directors' fees		**4,800,000**	3,530,000
Miscellaneous		**92,844,917**	68,096,563
		P 3,152,749,291	P 3,140,733,772

Miscellaneous expense includes basic deficiency taxes and interest, outsourcing fees on ATM, guarantee fees, recruitment fees, bank service charges, and fines and penalties, representation and entertainment, and freight, among others.

19. EMPLOYEE BENEFITS

19.1 Employee Benefits Expense

Expenses recognized for employee benefits are presented below (see Note 18.2).

	2022	2021
Short-term employee benefits	**P 692,940,968**	P 646,426,471
Post-employment defined benefit	**24,469,600**	28,155,300
	P 717,410,568	P 674,581,771

19.2 Post-employment Benefits

(a) Characteristics of the Post-employment Defined Benefit Plan

The Bank maintains a noncontributory post-employment defined benefit plan that is being administered by the Bank's Treasury Department and a third party fund manager. The post-employment plan covers all regular full-time employees.

The normal retirement age is 60 for employees hired before January 4, 2011; while, the normal retirement age is 55 with a minimum of ten years of credited service for employees hired on or after January 14, 2011. The plan also provides for an early retirement at age 50 with a minimum of five years of credited service and late retirement after age 65, both subject to the approval of the Bank's BOD. Normal retirement benefit is an amount equivalent to 100% of the final monthly salary for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2022 and 2021.

The amounts of retirement benefit obligation recognized in the statements of financial position are determined as follows (see Note 16):

	2022	2021
Present value of the obligation	**P 219,226,600**	P 192,908,600
Fair value of plan assets	**(79,390,100)**	(65,154,500)
	P 139,836,500	P 127,754,100

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

	2022	2021
Balance at beginning of year	**P 192,908,600**	P 206,841,300
Current service costs	**24,469,600**	28,155,300
Benefits paid	**(20,722,800)**	(13,531,600)
Remeasurements –		
Actuarial losses (gains) arising from:		
Experience adjustments	**55,479,600**	5,748,000
Changes in financial assumptions	**(40,951,700)**	(40,951,700)
Interest expense	**8,043,300**	6,647,300
Balance at end of year	**P 219,226,600**	P 192,908,600

The movements in the fair value of plan assets are presented below.

	2022	2021
Balance at beginning of year	**P 65,154,500**	P 51,671,500
Contributions to the plan asset	**33,356,300**	26,422,500
Benefits paid	**(20,722,800)**	(13,531,600)
Interest income	**3,573,600**	2,034,100
Actuarial losses on plan asset	**(1,971,500)**	(1,442,000)
Balance at end of year	**P 79,390,100**	P 65,154,500

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2022	2021
Time deposit accounts	**P 70,167,746**	P 23,000,000
Savings accounts	**3,637,181**	37,779,500
Mutual fund investments	**5,585,173**	4,375,000
	P 79,390,100	P 65,154,500

The fair value of the above savings and time deposit accounts are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). The fair value of mutual fund investments does not have quoted prices and have been determined based on net asset value that would be classified as Level 2 of the fair value hierarchy.

Actual return on plan assets was P1.6 million and P0.6 million in 2022 and 2021, respectively.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2022	2021
Reported in profit or loss:		
Current service cost	**P 24,469,600**	P 28,155,300
Net interest expense	**4,469,700**	4,613,200
	P 28,939,300	P 32,768,500
Reported in other comprehensive income (loss):		
Actuarial gains (losses) arising from changes in:		
Experience adjustments	**(P 55,479,600)**	(P 5,748,000)
Financial assumptions	**40,951,700**	40,951,700
Return on plan assets (excluding amounts included in net interest expense)	**(1,971,500)**	(1,442,000)
	(P 16,499,400)	P 33,761,700

The net interest expense in 2022 and 2021 are presented as Others under the Interest Expense account in the statements of profit or loss.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2022	2021
Discount rates	**7.10%**	5.00%
Expected rate of salary increases	**5.50%**	4.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 55 is 15 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is composed of investment in time deposit accounts and mutual fund investments. Due to the long-term nature of the plan obligation, a combination of time deposit accounts and mutual fund investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as at December 31, 2022 and 2021:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	**+/-1.00%**	**(P 193,845,100)**	**P 249,296,400**
Salary growth rate	**+/-1.00%**	**249,489,600**	**(194,410,000)**
December 31, 2021			
Discount rate	+/-1.00%	(P 171,110,200)	P 218,801,900
Salary growth rate	+/-1.00%	219,081,000	(171,677,000)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

(ii) Asset-liability Matching Strategies

The Bank and trustee bank have no specific matching strategy between the plan assets and the plan obligation.

(iii) Funding Arrangements and Expected Contributions

The plan is currently underfunded by P139.8 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about five to ten years' time when the current fair value of plan assets is not enough to cover the expected retirement benefit payments.

The Bank expects to make contribution of P49.6 million to the plan during the next reporting period.

The maturity profile of undiscounted expected benefit payments for the next ten years from the plan follows:

	2022	2021
Within one year	**P 22,176,989**	P 22,289,957
More than five years to ten years	**15,892,126**	21,912,411
More than five years to ten years	**118,057,826**	79,987,830
	P 156,126,941	P 124,190,198

The weighted average duration of the defined benefit obligation at the end of the reporting period is 13 years.

20. RELATED PARTY TRANSACTIONS

The Bank's related parties include its associate, entities under common ownership, key management personnel and others as described in Note 2.18.

A summary of the Bank's transactions and outstanding balances with its related parties is presented below.

Related Party Category	Notes	2022 Amount of Transaction	2022 Outstanding Balance	2021 Amount of Transaction	2021 Outstanding Balance
Related Parties Under Common Ownership					
DOSRI loans	20.1	**P 674,726,090**	**P 674,726,090**	P 665,000,000	P 665,000,000
Referral commission	20.2	**932,028,294**	**(82,044,124)**	838,456,556	(92,075,282)
Collection fees	20.4	**741,741,691**	**(20,111,658)**	806,860,472	(27,581,000)
Deposit liabilities	20.9	**2,125,674,655**	**(2,125,674,655)**	2,194,282,958	(2,194,282,958)
Selling commission	20.3	**106,515,765**	**(9,360,089)**	93,458,517	(93,458,517)
Accounts payable	20.8	**81,686,139**	**(81,686,139)**	61,998,343	(61,998,343)
Credit investigation support services	20.5	**107,397,217**	**(2,655,401)**	31,650,500	(5,655,000)
Accounts receivable	20.7	**259,391,657**	**259,391,657**	25,333,424	25,333,424
Interest income	20.1	**23,157,035**	**-**	10,615,012	-
Leases	11	**43,542,513**	**-**	33,588,914	-
Associate					
Investment	12	**-**	**-**	(800,000,000)	-
Key Management Personnel					
Compensation	20.10	**76,444,071**	**-**	61,743,194	-

Following are the details of the foregoing transactions:

20.1 DOSRI Loans

The Bank grants loans to DOSRI. The General Banking Act and BSP regulations limit the amount of the loans granted by the Bank to a single borrower to 25.00% of equity.

The total DOSRI loans amounted to P674.7 million and P665.0 million as of December 31, 2022 and 2021, respectively and presented as part of the Loans and Receivables account in the statements of financial position (see Note 9). These loans bear annual interest ranging from 3.50% to 8.95%, and from 2.69% to 9.50% for 2022 and 2021, respectively, are fully secured, and have terms ranging from one month to five years. The percentage of DOSRI to total loans in 2022 and 2021 is 1.93% and 2.20%, respectively. There were no past due and nonperforming DOSRI loans in 2022 and 2021. ECL recognized in 2022 and 2021 on DOSRI loans amounted to P6.75 million and P6.60 million, respectively. The Bank complied with the restrictions on DOSRI loans as of December 31, 2022 and 2021.

20.2 Referral Commission

The Bank entered into financing agreements with certain accredited dealers that are related parties under common ownership whereby the Bank shall provide qualified motorcycle buyers of the accredited dealers with necessary funds for the purchase of motorcycle units. In consideration for the referrals made by the related parties, the Bank pays a commission for each approved motorcycle loan application based on certain percentage of amount financed and achievement of predetermined sales volume.

The total fees are either capitalized as loan origination costs or expensed outright and shown as part of Fees and commissions under the Other Operating Expenses in the statements of profit or loss (see Note 18.2). The outstanding payable on referral commission is presented as part of Accounts payable under the Accounts Payable and Other Liabilities account in the statements of financial position, and is noninterest-bearing, unsecured payable in cash and due to be settled within 30 days from the end of the reporting period (see Note 16).

20.3 Selling Commission

The Bank entered into agreements with certain accredited dealers that are considered as related parties under common ownership whereby the accredited dealers shall provide assistance in the selling of the Bank's repossessed motorcycles. In consideration for the services performed, the Bank pays a percentage of selling price for each repossessed motorcycle sold. The total fees recognized related to these agreements are shown as part of Outside services under the Other Operating Expenses in the statements of profit or loss (see Note 18.2). The outstanding payable on selling commission as of December 31, 2022 and 2021 is presented as part of Accounts payable under Accounts Payable and Other Liabilities account in the statements of financial position, and is noninterest-bearing, unsecured payable in cash and due to be settled within 30 days from the end of the reporting period (see Note 16).

20.4 Collection Fees

The Bank entered into service agreement with a related party under common ownership and its associate whereby the latter shall accept loan payments from the Bank's borrowers. In consideration for the services performed by such related party, the Bank pays a service fee equivalent to a certain percentage on all monies collected.

The total fees arising from these service agreements are shown as part of Outside services under the Other Operating Expenses account in the statements of profit or loss (see Note 18.2). The outstanding liability arising from this transaction is presented as part of Accounts payable under the Accounts Payable and Other Liabilities account in the statements of financial position, and is noninterest-bearing, unsecured payable in cash and due to be settled within 30 days from the end of the reporting period (see Note 16).

20.5 Credit Investigation Support Services

The Bank entered into an agreement with BFC where the latter shall provide credit investigation services using its manpower complement and necessary equipment for all loan application endorsed by the Bank. The credit investigation includes identity and character validation, residency verification, and employment and source of income validation. The total fees arising from these service agreements are either capitalized as loan origination costs or expensed outright and shown as part of Outside services under the Other Operating Expenses in the statements of profit or loss (see Note 18.2).

The outstanding liability arising from this transaction is presented as part of Accounts payable under the Accounts Payable and Other Liabilities in the statements of financial position, and is noninterest-bearing, unsecured payable in cash and due to be settled within 30 days from the end of the reporting period (see Note 16).

20.6 Retirement Fund

Savings, time deposit, and mutual fund investment accounts totaling to P79.4 million and P65.2 million as at December 31, 2022, and 2021, respectively, were established by the Bank as plan assets for the retirement plan. Interest income earned by the time deposits amounted to P1.8 million, and P1.4 million in 2022 and 2021, respectively. These bank accounts are included as part of the Bank's deposit liabilities and are accounted for separately from the cash accounts of the Bank. The retirement fund is managed by the Bank's Treasury Department. The composition of the plan assets is presented under Note 19.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments covered by any restrictions or liens.

20.7 Accounts Receivable

This mainly pertains to assets held for sale of the Bank which were subsequently sold and refinanced by BFC. In 2022, this is presented as part of Accounts receivable presented under the Loans and Receivable account (see Note 9). In 2021, this is presented and offset against Accounts payable presented under the Accounts Payable and Other Liabilities account and non-interest bearing, due and demandable in cash upon demand (see Note 16).

20.8 Accounts Payable

This pertains to collections of BFC deposited to the account of the Bank. These have the same terms as that of third parties. In 2022, this is presented and offset against Accounts receivable presented under the Loans and Receivable account (see Note 9). In 2021, this is presented as part of Accounts payable presented under the Accounts Payable and Other Liabilities account (see Note 16).

20.9 Deposit Liabilities

The Bank has deposit liabilities to related parties under common ownership amounting to P2.1 billion and P2.2 billion as at December 31, 2022 and 2021 respectively. Included in the 2021 balance was the deposit liabilities of BFC amounting to P560.3 million. This figure is presented as part of Deposit Liabilities in the statements of financial position (see Note 15).

Moreover, in the ordinary course of business, the Bank has deposit transactions with certain related parties and with outstanding deposit balance amounting to P13.6 billion and P12.3 billion as at December 31, 2022 and 2021, respectively.

20.10 Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

	2022	2021
Short-term benefits	**P 65,266,071**	P 40,626,740
Post-employment benefits	**11,178,000**	21,116,454
	P 76,444,071	P 61,743,194

21. TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Bank:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2021 annual income tax return of the Bank, was lower by P71.0 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax assets as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized deferred tax asset in 2020 by P97.2 million and such was recognized in the 2021 profit or loss (P96.5 million) and in other comprehensive (P0.7 million).

The components of tax expense relating to profit or loss and other comprehensive income follow:

	2022	2021
Profit or loss:		
Current tax expense:		
RCIT	**P 991,525,804**	P 878,521,023
Final taxes	**103,975,333**	41,656,398
Adjustment in 2021 income taxes due to change in income tax rate	**-**	(70,987,116)
	1,095,501,137	849,190,305
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(39,932,908)**	(8,588,076)
Effect of the change in income tax rate	**-**	96,504,950
	(39,932,908)	87,916,874
	P 1,055,568,229	P 937,107,179
Other comprehensive income:		
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(P 4,124,850)**	P 8,440,425
Effect of the change in income tax rate	**-**	673,500
	(P 4,124,850)	P 9,113,925

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is presented below.

	2022	2021
Tax on pre-tax profit	**P 1,061,499,622**	P 928,248,637
Adjustments for income subjected to final tax	**(37,318,028)**	(26,637,888)
Tax effects of:		
Non-taxable income	**(4,524,073)**	(12,177,883)
Non-deductible expenses	**35,910,708**	22,156,479
Change in income tax rate	**-**	25,517,834
Tax expense	**P 1,055,568,229**	P 937,107,179

The deferred tax assets as of December 31 relates to the following:

	2022	2021
Deferred tax assets:		
Allowance for impairment	**P 667,924,656**	P 624,839,327
Unrealized loss on repossession	**41,179,303**	29,148,340
Retirement benefit obligation	**34,959,075**	31,938,375
Depreciation of investment properties	**26,362,266**	22,700,544
Lease liabilities	**21,873,334**	32,612,984
	792,298,634	741,239,570
Deferred tax liabilities:		
Deferred loan origination costs	**(243,737,202)**	(226,695,296)
Right-of-use asset	**(18,349,166)**	(28,389,866)
	(262,086,368)	(255,085,162)
Net deferred tax assets	**P 530,212,266**	P 486,154,408

The effect of the movements in deferred tax assets in profit and loss and other comprehensive income for the years ended December 31 is as follows:

	2022	2021
Profit or loss:		
Amortized loan origination costs	**P 17,041,906**	(P 64,242,749)
Allowance for impairment losses	**(43,085,329)**	151,550,826
Unrealized loss on repossession	**(12,030,963)**	(5,011,816)
Lease liabilities	**10,739,650**	26,663,375
Amortization of right-of-use-asset	**(10,040,700)**	(25,779,845)
Depreciation of investment properties	**(3,661,722)**	(761,397)
Retirement benefit obligation	**1,104,250**	5,498,480
Deferred tax income	**P 39,932,908**	(P 87,916,874)
Other comprehensive loss –		
Retirement benefit obligation	**(P 4,124,850)**	(P 9,113,925)

The Bank is subject to the MCIT which is computed at 1% of gross income in 2022 and 2021, as defined under the tax regulations, or RCIT, whichever is higher.

No MCIT was reported in 2022 and 2021 as the RCIT was higher than MCIT in both years.

The Bank opted to claim itemized deductions in 2022 and 2021 in the computation of its income tax due.

22. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. As at December 31, 2022 and 2021, management is of the opinion that losses, if any, from the foregoing items will not have a material effect on the Bank's financial statements.

23. CURRENT AND NON-CURRENT CLASSIFICATION OF RESOURCES AND LIABILITIES AND SUPPLEMENTAL INFORMATION TO STATEMENT OF CASH FLOWS

23.1 Current and Non-Current Classification of Resources and Liabilities

	Current	Non-current	Total
December 31, 2022			
Cash	P 126,910,755	P -	P 126,910,755
Due from BSP	2,554,667,407	-	2,554,667,407
Due from other banks	283,995,059	-	283,995,059
Investment securities - net	258,014,852	10,093,806,185	10,351,821,037
Loans and other receivables - net	16,382,007,927	18,617,044,151	34,999,052,078
Assets held-for-sale - net	321,568,974	-	321,568,974
Bank premises, furniture, fixtures and equipment - net	-	115,302,001	115,302,001
Right-of-use assets-net	-	73,396,666	73,396,666
Investment properties - net	-	165,652,747	165,652,747
Deferred tax assets - net	-	530,212,266	530,212,266
Other resources - net	89,451,648	97,463,135	186,914,783
Total Resources	**P 20,016,616,622**	**P 29,692,877,151**	**P 49,709,493,773**
Deposit liabilities	P 26,101,388,108	P 6,203,502,609	P 32,304,890,717
Accounts payable and other liabilities	1,453,404,491	196,239,425	1,649,643,916
Total Liabilities	**P 27,554,792,599**	**P 6,399,742,034**	**P 33,954,534,633**

		Current		Non-current		Total
December 31, 2021						
Cash	P	117,680,451	P	-	P	117,680,451
Due from BSP		6,114,137,502		-		6,114,137,502
Due from other banks		285,254,259		-		285,254,259
Investment securities - net		752,299,668		5,401,395,445		6,153,695,113
Loans and other receivables - net		10,700,667,985		21,404,835,548		32,105,503,533
Assets held-for-sale - net		364,175,140		-		364,175,140
Bank premises, furniture, fixtures and equipment - net		-		120,996,506		120,996,506
Right-of-use assets-net		-		113,559,465		113,559,465
Investment properties - net		-		206,977,414		206,977,414
Deferred tax assets - net		-		486,154,508		486,154,508
Other resources - net		99,845,871		131,872,765		231,718,636
Total Resources	P	18,434,060,876	P	27,865,791,651	P	46,299,852,527
Deposit liabilities	P	22,686,532,990	P	7,788,480,169	P	30,475,013,159
Accounts payable and other liabilities		920,507,164		207,347,116		1,127,854,280
Total Liabilities	P	23,607,040,154	P	7,995,827,285	P	31,602,867,439

23.2 Supplemental Information to Statement of Cash Flows

Significant non-cash transactions in 2022 are as follows:

- The Bank recognized additional right-of-use assets and lease liabilities amounting to P15.0 million in 2022 (see Note 11).
- Transfers from Loans and Receivables to Assets Held for Sale amounted to P1.9 billion (see Notes 9 and 12).
- Transfers from Loans and Receivables to Investment Properties as a result of foreclosures amounted to P0.6 million (see Notes 9 and 13).

Significant non-cash transaction in 2021 are as follows:

- The Bank recognized additional right-of-use assets and lease liabilities amounting to P4.5 million (see Note 11).
- Transfers from Loans and Receivables to Assets Held for Sale amounted to P2.4 billion (see Notes 9 and 12).
- Transfers from Loans and Receivables to Investment Properties as a result of foreclosures amounted to P32.5 million (see Notes 9 and 13).
- The Bank reclassified certain investment securities at FVOCI with carrying amount of P5.5 billion to financial assets at amortized cost (see Note 8).

24. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP MORB to be disclosed as part of the notes to financial statements based on BSP Circular 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

The following are some indicators of the Bank's financial performance.

	2022	2021
Return on average equity Net profit / Average total capital accounts	**20.95%**	**19.39%**
Return on average resources Net profit / Average total resources	**6.65%**	**6.09%**
Net interest margin Net interest income / Average interest earning resources	**17.12%**	**17.42%**

(b) Capital Instruments Issued

The significant information related to the capital instrument issued by the Bank is described in more detail in the respective note.

Type of Instrument	Note	**2022**	2021
Common share (CET 1)	17.1	**P5,000,000,000**	P5,000,000,000

(c) Significant Credit Exposures for Loans

Under the BSP guidelines, the Bank is required to disclose concentration of credit as to industry or economic sector where concentration is said to exist. The Bank's concentration of credit as to economic activity for its loans gross of allowance for ECL follows:

	2022		2021	
	Amount	**Percentage**	Amount	Percentage
Consumption	**P 22,644,463,603**	**67.60%**	P 21,688,537,367	71.21%
Wholesale and retail trade	**2,991,069,431**	**8.93%**	2,051,883,014	6.74%
Real estate, renting and other related activities	**2,070,952,314**	**6.18%**	1,662,231,539	5.46%
Manufacturing	**1,035,398,057**	**3.09%**	408,978,280	1.34%
Electricity, gas and water	**851,602,974**	**2.54%**	522,366,790	1.72%
Construction	**844,726,817**	**2.52%**	472,544,544	1.55%
Agriculture, hunting and forestry	**796,960,490**	**2.38%**	1,285,206,727	4.22%
Transportation, storage and communication	**618,635,729**	**1.85%**	499,622,551	1.64%
Financial and insurance activities	**537,619,852**	**1.61%**	528,038,932	1.73%
Accommodation and food service	**464,272,761**	**1.39%**	215,996,770	0.71%
Human health and social service activities	**339,485,043**	**1.01%**	335,558,565	1.10%
Other community, social and personal services	**248,214,742**	**0.74%**	732,087,597	2.40%
Education	**21,764,296**	**0.06%**	40,789,066	0.13%
Administrative and support service activities	**20,410,002**	**0.06%**	-	0.00%
Private household	**10,584,103**	**0.03%**	14,626,709	0.05%
	P 33,496,160,214	**100%**	P 30,458,468,451	100%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

As of December 31, 2022, 10% of Tier 1 capital of the Bank amounted to P1.52 billion and P1.41 billion in 2022 and 2021, respectively. The table below shows the industry groups exceeding this level.

	2022	2021
Consumption	**P 22,644,463,603**	P21,688,537,367
Wholesale and retail trade	**2,991,069,431**	2,051,883,014
Real estate, renting and other related activities	**2,070,952,314**	1,662,231,539

(d) Analysis of Loan Portfolio as to Type of Security

The breakdown of receivable from customers, gross of allowance and unearned interests or discounts, as to security are disclosed in Note 9.

As to security, loans are classified into:

	2022	2021
Secured:		
Real estate mortgage	**P 1,274,669,411**	P 1,067,770,531
Hold out deposits	**691,231,697**	694,895,885
Others	**371,248,209**	467,618,682
	2,337,149,317	2,230,285,098
Unsecured	**31,159,010,897**	28,228,183,353
	P 33,496,160,214	P30,458,468,451

(e) Credit Status of Loans

The breakdown of receivable from customers as to status is shown below.

	2022		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Retail loans	P23,858,500,215	P 2,973,199,682	P 26,831,699,897
Commercial loans	5,637,959,756	1,026,500,561	6,664,460,317
	29,496,459,971	3,999,700,243	33,496,160,214
Allowance for ECL	(440,817,259)	(2,056,604,048)	(2,497,421,307)
Net carrying amount	**P29,055,642,712**	**P 1,943,096,195**	**P 30,998,738,907**

	2021		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Retail loans	P22,305,656,623	P 2,552,400,926	P 24,858,057,549
Commercial loans	4,204,174,402	1,396,236,500	5,600,410,902
	26,509,831,025	3,948,637,426	30,458,468,451
Allowance for ECL	(126,841,978)	(1,911,830,138)	(2,308,672,116)
Net carrying amount	P26,382,989,047	P 2,036,807,288	P 28,419,796,335

As at December 31, 2022 and 2021, the nonperforming loans (NPLs) not fully covered by allowance for credit losses follow:

	2022	2021
Gross NPLs	**P 3,999,700,240**	P3,948,637,426
NPLs fully covered by allowance for impairment	**(1,240,530,733)**	(1,150,420,396)
	P 2,759,169,507	P2,798,217,030

(f) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with each other, their other affiliates, and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

	DOSRI Loans		**Related Party Loans (inclusive of DOSRI)**	
	2022	2021	**2022**	2021
Total outstanding loans	**P674,726,090**	P665,000,000	**P674,726,090**	P670,476,187
% of loans to total loan portfolio	**1.9%**	2.2%	**1.9%**	2.2%
% of unsecured loans to total DOSRI/related party loans	**0.0%**	0.0%	**0.0%**	0.0%
% of past due loans to total DOSRI/related party loans	**0.0%**	0.0%	**0.0%**	0.0%
% of non-performing loans to total DOSRI/related party loans	**0.0%**	0.0%	**0.0%**	0.0%

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years.

There were no past due and nonperforming related party loans in 2022 and 2021; hence, no impairment loss on them have been recognized in both years.

(g) Secured Liabilities and Assets Pledged as Security

The Bank did not have any secured liabilities nor assets pledged as security as at December 31, 2022 and 2021.

(h) Contingencies and Commitments Arising from Off-balance Sheet Items

The Bank did not have any contingencies and commitments arising from off-balance sheet items as of December 31, 2022 and 2021.

25. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the BIR under Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) GRT

In lieu of the value-added tax, the Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries performing quasi-banking function pursuant to Section 121 of the Tax Code, as amended.

In 2022, the Bank reported total gross receipts tax amounting to P505,493,122 as shown under Taxes and Licenses [see Note 25(d)], in which P457,858,018 was paid during the year.

The breakdown of the GRT is shown below.

	Gross Receipts	GRT
Income derived from lending activities	P 10,131,113,440	P 498,636,099
Other income	97,957,474	6,857,023
	P 10,229,070,914	**P 505,493,122**

(b) DST

The movements in unused DST are summarized below.

Balance at beginning of year	P 22,765,448
Purchased	182,500,000
Affixed	(180,182,446)
Balance at end of year	**P 25,083,002**

The Bank is enrolled under the Electronic Documentary Stamp Tax System. In general, the Bank's DST transactions arise from the execution of loan documents, debt instruments, security documents, and bills of exchange.

Of the total documentary stamp affixed, P29,705,915 was charged to clients, while P150,475,874 was for the account of the Bank and accordingly charged to profit or loss [see Note 25(d)].

(c) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2022 are shown below.

Final	P 261,423,710
Expanded	180,345,801
Compensation and benefits	55,629,799
	P 497,399,310

(d) *Taxes and Licenses*

The details of taxes and licenses in 2022 are as follows:

	Notes	
GRT	25(a)	P 505,493,122
DST	25(b)	150,475,874
Local taxes and business permit		31,042,542
Fringe benefits tax		1,995,833
Real property taxes		1,948,793
Miscellaneous		1,001,564
		P 691,957,728

(e) *Excise Taxes*

The Bank did not have any transactions in 2022 subject to excise tax.

(f) *Taxes on Importation*

The Bank has not paid or accrued any customs duties and tariff fees as it has no importation for the year ended December 31, 2022.

(g) *Deficiency Tax Assessment and Tax Cases*

In 2022, the Bank paid deficiency taxes related to taxable year 2019, and are presented as part of Miscellaneous under Other Operating Expenses account in the 2022 statement of profit or loss.

As of December 31, 2022, the Bank does not have any other final deficiency tax assessments with the BIR or tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open taxable years.

Consumer Protection Practices

The Bangko Sentral ng Pilipinas (BSP) in the last three years has been actively campaigning for their C3 multi-sectoral and long-term project of Customer Centricity. The initiative's main focus is for financial institutions to foster positive outcomes and to satisfy customer expectations. It is mandated that the needs and welfare of the customers are considered in designing products and delivering services, policy-making, investment decisions, and in the overall operations of the Bank.

Bank of Makati (A Savings Bank), Inc. (BMI) has prioritized compliance to such campaign and has continuously adopted best practices that produce good customer experiences for its clients and also conform to the Bank's Consumer Protection Risk Management System (CPRMS).

Customer requests, queries, and complaints (RQC) received by the Bank are handled by the Business Development and Marketing Services Department-Consumer Assistance Section (BDMSD-CAS). The Section is tasked to acknowledge, monitor, coordinate with the concerned group/department for appropriate action and/or investigation, and ensure resolution (within BSP's standard turn-around-time) of the RQCs received by the Bank. The Bank's customers may send their concerns through the following official communication channels:

- Official Communication channels:
  Trunkline: 8889.0000
  Mobile: 0943.129.2559
  Email: consumerassistance@bankofmakati.com.ph
  Facebook: bankofmakatiofficial
  Website: www.bankofmakati.com.ph

- Sixty-two (62) Branches nationwide with designated Consumer Assistance Officer

BMI acknowledges the indispensable role of financial consumers in bringing about a strong and stable financial system, their right to be protected in all stages of their transactions and to be given an avenue to air their issues or concerns regarding the Bank's products and services.

With the Board and Senior Management's leadership, it is ascertained that the bank's business operations are aligned to the standard conduct of consumer protection. To assess its effectiveness and relevance, BMI's CPRMS, Code of Conduct, policies, and procedures are reviewed periodically and monitored regularly to ensure implementation of:

- Disclosure and Transparency
- Fair Treatment
- Protection of Client Information (adherence to the general data privacy principles of transparency, legitimate purpose, and proportionality under R.A. No. 10173 or the Data Privacy Act of 2012 and its IRRs)
- Effective Recourse
- Protection of Consumer Assets against Fraud and Misuse

By doing so, the Bank remains to be compliant to relevant laws, rules, and regulations, and that identified risks of financial harm or loss to customers are properly mitigated and managed.

Our Products and Services

Deposit Products

Regular Savings Account
Young Savers Account
Power Build-Up Savings
Maaasahan Savings Account
Power Cash ATM
Power ATM Debit Card
Checking Account Plus
Checking Account Premium
CTD Peso Time Deposit

Loans

Business Loans
Power Negosyo Enterprise Loan
Microfinance Loan
Home Loan
Auto Loan
Luxury Bike Loan
Motorcycle Loan
Power Payday Loan
Personal Loan
Expanded Motor Loan

Other Services

PESONet
ATM Payroll

Our Network

METRO MANILA

MAKATI CITY (Main Branch)
TPI Building, Ayala Avenue near corner
Metropolitan Avenue, Makati City
(02) 8816.1382 / 0920.971.1069

BACLARAN (Microfinance)
392 Quirino Avenue
Baclaran, Parañaque City
(02) 8556.0609 / 0920.971.1053

BLUMENTRITT (Microfinance)
One Albert Place 2557 P. Guevarra Street
corner Tecson Street, Sta. Cruz, Manila
(02) 3493.5949 / 0920.971.1056

BUENDIA (Microfinance)
44 Sentor Gil Puyat Avenue
Barangay San Isidro, Makati City
(02) 8886.3696 / 0920.971.1057

CALOOCAN
Aurelio Bldg. III, 11th Avenue
corner Rizal Avenue Extension
Grace Park, Caloocan City
(02) 8364.9039 / 0949.883.2180

CAMARIN (Microfinance)
654 Area A, Camarin, Caloocan City
(02) 8294.1768 / 0949.883.1497

COMMONWEALTH (Microfinance)
Unit 3 & 4 Mount Sinai Heights Building
71-B Commonwealth Avenue
East Fairview, Quezon City
(02) 8365.2060 / 0920.971.1059

CUBAO - P. TUAZON (Microfinance)
Metrolane Complex P. Tuazon Boulevard
corner 20th Avenue Cubao, Quezon City
(02) 3438.3303 / 0920.971.1060

GRACE PARK
VSP Condominium
1607-C Rizal Avenue Extension
Grace Park, Caloocan City
(02) 8288.3206 / 0949.883.1496

GREENHILLS (Microfinance)
Medecor Bldg. 222 Ortigas Avenue
Greenhills, San Juan City
(02) 8997.3944 / 0917.820.1603

GUADALUPE (Microfinance)
Unit MFA 8, G/F,
Guadalupe Commercial Center,
Guadalupe, Makati City
(02) 8478.3403 / 0949.883.1503

KALENTONG (Microfinance)
P&D Building, 576 New Panaderos Street
Barangay Pag-asa, Mandaluyong City
(02) 8477.2568 / 0949.883.1435

LAS PIÑAS
Unit 3, Star Arcade,
CV Starr Avenue Philamlife Village,
Pamplona 2, Las Piñas City
(02) 8877.8129 / 0920.971.1067

MAKATI - EVANGELISTA (Microfinance)
NSR Building, 1837 Evangelista Street
corner Dallas Street, Barangay Pio del Pilar,
Makati City
(02) 8845.1201 / 0920.971.1064

MUNTINLUPA
Presnedi Building, 305 National Road,
Putatan, Muntinlupa City
(02) 8777.3098 / 0920.971.1072

PASAY - LIBERTAD (Microfinance)
Liberty Commercial Complex Libertad Street
corner F.B. Harrison Street, Pasay City
(02) 8804.2696/ 0917.835.3651

PASIG - RAYMUNDO (Microfinance)
G/F JG Building, C. Raymundo Avenue,
Barangay Rosario, Pasig City
(02) 8650.2970/ 0920.971.1076

RETIRO (Microfinance)
270 Unit-C, N.S. Amoranto Street,
Quezon City
(02) 8362.2593 / 0949.883.1502

ROOSEVELT (Microfinance)
336 Roosevelt Avenue,
Quezon City
(02) 3415.1732 / 0920.971.1078

LUZON

ANTIPOLO
4 Senator Lorenzo Sumulong
Memorial Circle Barangay San Roque,
Antipolo City, Rizal
(02) 8696.5585 / 0920.971.1052

BALIUAG
Benigno S. Aquino Avenue
Poblacion, Baliuag, Bulacan
(044) 798.8281 / 0920.971.1054

BANTAY
R.G.C. Cardenas Commercial Bldg.
Zone 5, National Highway,
Bantay, Ilocos Sur
(077) 632.0911 / 0949.883.1510

BATAAN
G/F L&R Building
Don Manuel Banzon Avenue
Balanga City, Bataan
(047) 237.6625 / 0949.883.1433

BATANGAS
Unit 4, Mayvel Center
Pallocan Avenue, Pallocan West
Batangas City
(043) 702.2384 / 0920.971.1055

BIÑAN
A. Bonifacio Street
Biñan, Laguna
(049) 511.9299 / 0949.883.1495

CABANATUAN
333 B-3 Burgos Street
Sangitan, Cabanatuan City
Nueva Ecija
(044) 463.3967 / 0949.883.1500

CALAPAN
Unit 1 Roxas Drive, Lumangbayan
Calapan City, Oriental Mindoro
(043) 288.2228 / 0949.883.1508

DAET
TPI Building, Vinzons Avenue
Barangay IV, Mantagbac
Daet, Camarines Sur
(054) 887.9997 / 0920.971.1061

DAGUPAN
One Grande Building, Arellano Street
Dagupan City
(075) 522.5072 / 0920.971.1062

DASMARIÑAS
B55 L7 Golden Miles Molino
Paliparan Road, Barangay Salawag
Dasmariñas City, Cavite
(046) 438.1863 / 0949.883.1507

LAOAG
Enrico's Building, General Luna Avenue
corner General Siazon Road,
Laoag City, Ilocos Norte
(077) 771.5385 / 0949.883.1438

LA UNION
Nera Building, Quezon Avenue
San Fernando, La Union
(072) 687.1519 / 0949.883.1436

LEGAZPI
Imperial Shopping Plaza
Los Baños Avenue, Capantawan
Legazpi City, Albay
0949.883.1439

LIPA
C.M. Recto Avenue (in front of Cathedral)
Barangay 9, Lipa City, Batangas
(043) 756.3481 / 0949.883.2181

LUCENA
G/F Emperor Building
Merchan Street corner Evangelista Street
Lucena City
(042) 710.9168 / 0920.971.1068

MALOLOS
Lot 698-A. Paseo Del Congreso Road
Malolos City, Bulacan
(044) 791.7513 / 0920.971.1070

MARCOS HIGHWAY
Units 3 & 4 Park Place Building
Marcos Highway corner
Vermont Park Main Gate
Barangay Mayamot, Antipolo City
(02) 7212.2521 / 0920.971.1071

MARIKINA
6 Bayan-Bayanan Avenue
Concepcion I, Marikina City
(02) 8721.8238 / 0949.883.1505

MEYCAUAYAN
Lot 3003-E, Malhacan Road,
Meycauayan City Bulacan
0917.828.5043

NAGA
89 Elias Angeles Street
Naga City, Camarines Sur
(054) 473.9898 / 0917.835.0123

PAMPANGA
Diamond Building
MacArthur Highway
Dolores San Fernando, Pampanga
(045) 961.1354 / 0920.971.1075

PUERTO PRINCESA
Prime One Properties Building
Km.1 National Highway Barangay
San Miguel Puerto Prinsesa City, Palawan
(048) 434.2053 / 0949.883.1442

RODRIGUEZ
137 Rodriguez Highway
Manggahan, Rodriguez Rizal
(02) 8470.3581 / 0920.971.1077

SAN PABLO
52 Colago Avenue, Barangay VI-E
San Pablo City, Laguna
(049) 562.0646 / 0920.975.5967

SANTIAGO
Villarica Building
Purok 4 City Road corner Quezon Street
Centro West, Santiago City
(078) 305.2082 / 0917.835.3237

TARLAC
Tarlac Filipino-Chinese Volunteers
Fire Brigade Bldg., M.H. Del Pilar Street,
Tarlac City
(045) 982.1404 / 0920.971.1079

TUGUEGARAO
Luna Street corner Del Rosario Street,
Tuguegarao, Cagayan
(078) 844.8577 / 0949.883.1506

URDANETA
National Highway, Nancayasan
Urdaneta City, Pangasinan
(075) 653.0847 / 0949.883.1443

VALENZUELA
238 McArthur Highway
Karuhatan, Valenzuela City
(02) 8283.7175 / 0949.883.1501

ZAPOTE
Addio Building
Aguinaldo Highway
Talaba Bacoor, Cavite
(046) 417.7527 / 0920.971.1080

VISAYAS

BACOLOD
Sun-in Building
Lacson Street
Bacolod City, Negros Occidental
(034) 434.9411 / 0949.883.1431

CEBU
S & L Tanchan Building
51 Colon Street
Parian, Cebu City
(032) 255.6982 / 0949.883.1434

ILOILO
John Tan Building
Iznart Street, Iloilo City
Iloilo
(033) 335.8853 / 0920.971.1066

TACLOBAN
Oscar Dy Building
Real Street, Sagkahan District
Tacloban City, Leyte
(053) 832.3066 / 0998.591.3886

MINDANAO

BUTUAN
Lucibenino Building, JC Aquino Avenue
Butuan City, Agusan Del Norte
(085) 225.0406 / 0920.971.1058

CAGAYAN DE ORO
J.V. Serena Street corner Vamenta Boulevard
Carmen, Cagayan De Oro City
Misamis Oriental
(088) 233.2159 / 0949.883.1498

DAVAO
CV REALTY Building, Quimpo Boulevard,
Ecoland, Matina, Davao City
(082) 285.2608 / 0920.971.1063

GENERAL SANTOS
RD Building, Santiago Boulevard
General Santos City, South Cotabato
(083) 552.0871 / 0920.971.1065

PAGADIAN
ZMS Building, Rizal Avenue
Pagadian City, Zamboanga Del Sur
(062) 925.2879 / 0920.971.1073

TAGUM
Cacayorin Building
Circumferential Road New Public Market
Tagum City, Davao
(084) 216.3219 / 0917.845.7617

VALENCIA
Ground Floor, AMQ building,
Sayre Hiway, Poblacion,
Valencia City, Bukidnon
(088) 828.5294 / 0917.810.9555

ZAMBOANGA
G/F RHW Building
Mayor Jaldon Street, Barangay Cañelar
Zamboanga City, Zamboanga Del Sur
(062) 955.0655 / 0917.844.4053

62 Branches
40 Branch Lites
NATIONWIDE

8889.0000 LOCAL 2104
Consumer Engagement
consumerassistance@bankofmakati.com.ph

BRANCH LITE

METRO MANILA

MALABON
3rd floor, Psalm Bldg.,
7 M.H. Del Pilar Street, Santulan,
Malabon, Metro Manila
.0919.088.3589 / 0927.183.8805

TAGUIG
4th Floor, Lot 3,
Levi Mariano Street, Int. Gen. Luna
Ususan, Taguig City
0928.152.0920 / 0919.088.3482

LUZON

ROXAS
National Highway, Bantug,
Roxas, Isabela
0919.088.3501

SAN JOSE
2nd Floor, #348 Salvador Building,
Maharlika Highway, Brgy. Rafael Rueda Sr.,
San Jose City, Nueva Ecija
0919.088.3558

GAPAN
2nd Floor, JC Ramirez Bldg.,
Maharlika Hi-way,
Gapan City, Nueva Ecija
0919.088.3557

SAN JOSE DEL MONTE
Unit 01, 2nd Floor, Bordallo Building,
Blk. 75, Lot 11, Purok 2, Bagong Buhay II,
San Jose Del Monte, Bulacan
0919.088.3571

ANGELES
Unit 301, Blk-2, Lot-19,
Mc Arthur Hiway, Ninoy Aquino,
Angeles City, Pampanga
0919.088.3565 / 0956.420.3511

OLONGAPO
2nd Floor 1255 Rizal Ave. West,
Tapinac, Olongapo City
0919.088. 3570 / 0998.377.4259

TAYTAY
Unit 7 & 8, A3J Building, Lot 1-B-2-A,
Geronimo, Compound, Brgy. Dolores,
Taytay, Rizal,
0920.948.2981 / 0919.088.3502

TANAUAN
3rd Floor, HMC Building, Corner Molave St.,
President Jose P. Laurel Highway,
Tanauan, Batangas
0922.834.7460 / 0919.088.3538

CALAMBA
3rd Floor, Julita Bldg. 1, Crossing,
Calamba, Laguna
0919.088.3586

RODRIGUEZ
526 M.H. Del Pilar Street, Brgy. Geronimo,
Rodriguez, Rizal
0908.864.0577 / 0919.088.3504

BATANGAS
Ground Floor, Lena Bldg.
St. Peter corner National Highway,
Batangas City, Batangas
0919.088.3585

IMUS
2nd Floor, 7 Days Building,
Aguinaldo Hiway, Palico 3,
Imus, Cavite
0925.610.2350 / 0919.088.3483

BINANGONAN
117 Unit D, National Road, Bilibiran,
Binangonan, Rizal,
0919.088.3503 / 0908.147.8159

TRECE MARTIRES
Door 1 and 2, 2nd Floor, Ronn
and Roy Building, 0346 Brgy. San Agustin,
Trece Martires City, Cavite
0919.088.3485

LEMERY
Unit 5, 2nd Floor,
A. Datingaling Building, llustre Ave.,
Lemery, Batangas
0918.336.6605

GUMACA
3rd Floor, Leopando Bldg., J.P. Rizal St.,
(Kalye Putol) Brgy. San Diego,
Gumaca, Quezon
0919.088.3587

NARRA
Unit 301, PTK-II Commercial Bldg.
Malvar St. Brgy Poblacion,
Narra, Palawan
0919.088.3511

BOAC
Philippine Red Cross Building,
Kasilag St. Isok I,
Boac, Marinduque
0919.088.3588

BONGABONG
Ap-Town Building, Aplaya II road
corner Town Public Market,
Bongabong, Oriental Mindoro
0919.088.3521

DAET
3rd Floor, Lazo Bldg., Bagasbas Road
corner Diego Liñan St., Brgy. 6,
Daet, Camarines Norte
0948.451.5989 / 0919.088.3550

SORSOGON
Ground Floor, Cipriana Bldg.,
Magsaysay St., Brgy. Sulucan,
Sorsogon City, Bicol
0919.088.3549

VIRAC
Unit 31, 3rd Floor,
CAFE Building, Constantino,
Virac, Catanduanes
0919.088.3552

MASBATE
Door 2, 3rd Floor, K&R Building,
National Road, Brgy. Tugbo,
Masbate City, Bicol
0963.657.3523 / 0919.088.3554

IRIGA
Unit 203, Ngo Sy Giok Po Bldg., San Miguel,
J.P. Rizal St., Highway 1, San Miguel,
Iriga City, Camarines Sur
0946.881.4922 / 0919.088.3551

VISAYAS

KALIBO
2ND Floor, 3J Building,
Roxas Avenue Extension Poblacion,
Kalibo, Aklan,
0919.088.3581

BACOLOD
Unit No. R1-7, corner Mabini Street,
Ciocon Road, Brgy. 26,
Bacolod City, Negros Occidental
0919.088.3580

KABANKALAN
JY Perez Street,
Kabankalan City, Negros Occidental
0919.088.3578 / 0970.688.8887

MANDAUE
5th Floor, Northside Business Hub,
G. Lopez Jaena corner A.P. Cortes Street,
Tipolo, Mandaue City, Cebu
0919.088.3579 / 0963.534.9562

TAGBILARAN
2nd Floor, Digal Bldg., 12 Lessage Street,
Poblacion II, Tagbilaran City, Bohol
0919.088.3583 / 0912.787.8325

DUMAGUETE
Unit 203, 2nd Floor, Bricktown Center Building,
Negros South Road, Real Street,
corner Aldecoa Drive, Brgy. Daro,
Dumaguete City, Negros Oriental
0919.088.3582 / 0929.337.9031

CALBAYOG
Room 202, 2nd Floor, Ortiz Building,
J.D Avelino Street, Barangay Central,
Calbayog City, Samar
0919.088.3572

MINDANAO

IPIL
Stall #7, 3rd Floor, 4M Building,
Purok Kaimito, Tirso Babiera,
Ipil, Zamboanga Sibugay
0919.088.3573

ILIGAN
JKJ building No. B6 2nd floor
Macapagal Avenue Celdran Village,Tubod,
Iligan City. Lanao del Norte
0919.088.3486

DIGOS
2nd Floor, Door 8, Dasurbaco Bldg.,
Magsaysay Corner Jacinto Street,
Digos City, Davao del Sur
0919.088.3574 / 0946.609.1200

TAGUM
2nd Floor, Reno Building,
Osmeña Street, Poblacion,
Tagum City, Davao del Norte
0919.088.3577

CALINAN
Unit #3, Second floor Commercial Building,
Davao-Bukidnon National Highway,
Calinan District, Davao City, Davao Del Sur
0919.088.3576

KIDAPAWAN
Door 9A, Purok Guava,
Singao Road, Poblacion,
Kidapawan City, Davao del Sur
0963.101.2662 / 0946.706.2141

SAN FRANCISCO
2nd Floor, Albienda Bldg., Brgy IV,
San Francisco , Agusan del Sur
0919.088.3556

BMI Building
Ayala Avenue near corner
Metropolitan Avenue,
Makati City, Metro Manila

(02) 8889.0000
www.bankofmakati.com.ph
fb.com/bankofmakatiofficial