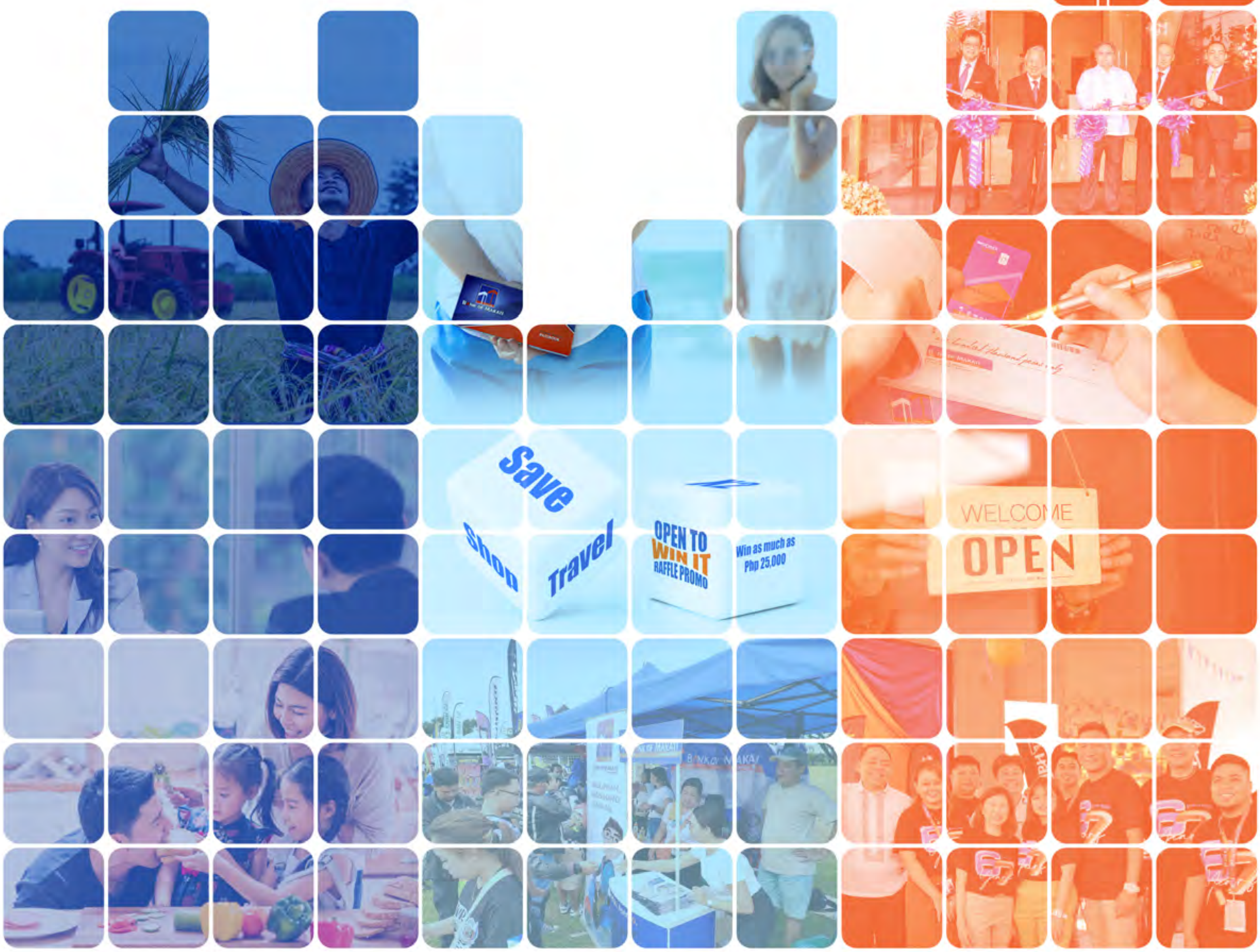
BANK OF MAKATI
BMI
A Savings Bank
since 1956

CHARTING PROGRESS:

CREATING MEANINGFUL EXPERIENCES



2023 ANNUAL AND SUSTAINABILITY REPORT

CHARTING PROGRESS:

CREATING MEANINGFUL EXPERIENCES

Over the last two years, with its vision of creating more meaningful experiences for its Clients, Bank of Makati Inc. (BMI) has pivoted from business-driven transformation to customer-focused transformation. Clients received convenient and efficient banking experiences that are tailored to their needs and preferences. Development of products and services were focused on addressing pain points and unmet expectations, thus ensuring greater relevance and utility. By understanding the customers' journey, the Bank was able to optimize and streamline its operations. This elevated BMI's reputation in the market as a **"Malalapitan, Maaasahang Kaibigan"** to Filipinos from different walks of life.

Management has also implemented programs that would reinforce the Bank's culture of excellence, create opportunities to develop servant leaders, and encourage employee engagement through cross functional collaboration, creativity, and empowerment. The Bank recognized that better customer experiences are made when good employee experiences that promote psychological safety, camaraderie, sense of belongingness, and mutual accountability are established.

With the stakeholders' support and strategic management, Bank of Makati Inc. has continued to build trust and confidence among its Clients and Partners, differentiate itself from competitors, and achieve progress, and sustainable profitability.

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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.

In 2023, Bank of Makati has undertaken several strategic initiatives to strengthen its market foothold, mitigate market risks, and maintain its financial strength. Better customer experiences were created through increased employee engagement, enhanced operational efficiencies, and banking capabilities.

THE BMI BRAND and BUSINESS MODEL

Bank of Makati as a "Malalapitan, Maaasahang Kaibigan"

In the global market, the Filipino workforce (OFWs) is known for their diligence, trustworthiness, and strong work ethics. Their commitment to excellence and willingness to deliver more than what is expected from them, made them stand out from the rest of the nationalities around the world. These traits have paved their way to success and continuous improvement. In a research study published by the University of Asia and the Pacific, Center for Research Communication (CRC) last 2022, it was highlighted that, "Despite the challenges brought about by the pandemic, remittances remained resilient. It cushioned GDP, consumption, and national savings during the economic downturn."

This notable contribution and traits of our Overseas Filipino Workers is one of the inspirations behind Bank of Makati (A Savings Bank) Inc.'s brand tagline of being a "Malalapitan, Maaasahang Kaibigan." The brand intends to help realize the desires of every aspiring Filipino, a:

- secure future for their family by opening low-cost current, savings , and small-denominated deposit accounts
- thriving business (for Micro, Small, and Medium entrepreneurs) through the availment of KaSH Microfinance Loan, Power Negosyo Enterprise Loan or other consumer loan products that match their income and need

With its network of sixty-two (62) branches in key provincial towns and cities nationwide, financial access and inclusion is promoted to the un-banked/under banked population. At Bank of Makati (A Savings Bank) Inc., every Filipino is given the opportunity to headstart their journey to financial freedom.

We are a loyal friend whom they can reach and rely on. Our straightforward approach to Banking was designed to deliver seamless and convenient customer experiences for Filipino savers and entrepreneurs. With over sixty-seven (67) years of valued service and trusted relationships, we aim to keep the engagement, achieve milestones, and create more meaningful experiences with Filipinos from different walks of life.

MISSION

Bank of Makati is committed to realizing its vision by offering simple, convenient, and transparent financial products and services, meeting customer needs through an integrated network of touchpoints. The bank pursues consistent growth and profitability while supporting sustainability. Internally, it fosters a culture emphasizing customer understanding, service urgency, and accountability, creating a workplace that encourages employee excellence and commitment to the bank's purpose.

VISION

Bank of Makati envisions itself as a leading thrift bank that fuels the growth of aspiring and existing mSMEs as well as advocates for the financial inclusion of the ordinary and unbanked Filipino.

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.


THOMAS C. ONGTENCO

In 2023, the Philippine economy demonstrated resilience and maintained its strong performance amidst the unfavorable economic and business conditions. Supply chain concerns, persistent geopolitical tensions, trade restrictions, and even climate change have all contributed to an increase in the prices of goods and commodities. According to the Department of Finance (DOF), the Philippines ended the year with a 5.6% growth rate, slightly below the government's target of six (6) to seven (7) percent but still made us one of the fastest-growing economies in Southeast Asia. The country's performance not only outpaced our regional neighbors but also exceeded or matched forecast from organizations like International Monetary Fund (IMF) and the World Bank. Contributing to this performance was the strong growth in the fourth (4th) quarter, driven by strong domestic demand despite high inflation and external challenges

The BSP implemented series of monetary policy adjustments to address entrenched inflationary pressures. The monetary board raised the BSP's key policy rate by a cumulative 100 basis points, bringing it to 6.5% to help anchor inflation expectations. Despite global inflationary pressures in 2023, these measures proved effective, as evidenced by the deceleration of inflation from a peak of 8.7% early in the year to 3.9% by December. This trend highlights the success of coordinated monetary and fiscal policies in stabilizing prices, although the annual average inflation rate remained elevated at around 6%, above the government's target range of 2%-4%.

CHAIRMAN AND PRESIDENT'S MESSAGE

Banks played a vital role in the economic landscape through its delivery of the essential financial services and products to key sectors, such as households. Based on BSP's second (2nd) quarter of 2023 report on the Philippine Financial System, the banking sector constituted 83.3% of the Philippine financial system's total assets, has sustained growth across various metrics, including assets, loans, deposits, and earnings. Total assets grew by 9.2% year-on-year, reaching a record of PHP 25.2 trillion which then underpinned stable domestic deposits. This asset growth enabled banks to expand their lending and investment activities, which increased by 9.8% or by PHP 13.9 trillion and 9.3% or by PHP 6.8 trillion, respectively. These expansions further fueled economic activity and development in the country.

By 2023 year-end, the industry recorded a notable 15% increase in net profit, reaching Php 356.5 billion. Other financial indicators such as Return on Assets (ROA) and Return on Equity (ROE) also showed improvements, rising to 1.5% and 12.3%, respectively, from 1.4% and 11.7% of the previous year.

Resilience amidst Economic Adversities

The year 2023 has posed significant economic challenges for our country, and the bank was not immune to these adversities. The combination of elevated inflation rates, increased policy rates, fluctuating exchange rates, and geopolitical tensions has created a complex economic environment. These factors have led to a slowdown in economic growth, adversely affecting our financial performance.

High inflation and elevated policy rates have increased operational costs, impacting both our customers and our internal processes. The rise in prices has squeezed the disposable incomes of our clients, leading to a possible decrease in deposits and a higher rate of loan defaults. Consequently, our credit portfolio has faced increased pressure, necessitating more stringent risk management practices and provisions for potential losses. With these challenges, Bank of Makati has undertaken several strategic initiatives to mitigate risks and maintain our financial strength. We have focused on enhancing operational efficiencies and in expanding our banking capabilities to better serve our clients during these trying times.

BMI demonstrated resilience, evidenced by an increase in net income to Php 3.24 billion from Php 3.19 billion in the previous year, reflecting a 2% growth. This growth highlights the bank's ability to sustain profitability despite external pressures. Our Return on Assets (ROA) remained strong at 6.36%, almost the same with last year's 6.61% while our Return on Equity (ROE) remained to be one of the highest in the thrift bank sector at 20.06%, a bit lower compared to 20.93% in 2022. As a result of the bank's continuous review and recalibration of its expected credit loss model and its strengthening of the credit risk management practices, the bank's impairment losses decreased by 13% from Php 1.76 billion last year.

LUIS M. CHUA

The bank has also continued to maintain its capital and liquidity strength all throughout the year. We maintained a robust capital adequacy ratio (CAR) of 32.57%, three times the regulatory threshold of 10%. Liquidity remained healthy, with the Minimum Liquidity Ratio (MLR) at 42.99%, more than double the regulatory requirement of 20%. These metrics underscore our strong financial foundation and our ability to navigate economic challenges while maintaining stability and confidence among our stakeholders.

Charting a Course for Sustainable Growth

In 2023, we undertook a comprehensive strategic planning activity which set a robust foundation for the next five (5) years. This initiative allowed the Management to thoroughly examine and revise the Bank's long-term goals, therefore, ensuring that the business and support units are well-equipped to navigate the dynamic financial landscape and consistently deliver exceptional value to our stakeholders.

As part of the process, we also revisited and refined our vision and mission statements. It now better reflects our commitment for continuous improvements, innovation, customer-centricity, and sustainable growth; all of which sets as a foundation in achieving our strategic objectives and reinforcing our dedication to excellence.

Sustainability: A Strategic Imperative

This Annual Report also includes our inaugural sustainability report, a testament to our dedication to Environmental, Social, and Governance (ESG) principles. It is a reflection of our commitment to assessing and addressing the impacts of our operations on the planet, society, and governance structures. By integrating sustainability into our core business practices, the Bank aims to drive positive change and create long-term value for our stakeholders. It underscores our transparent approach to ESG considerations, providing insights into our progress, challenges, and future initiatives. Through collaborative efforts and stakeholder engagement, we are continually striving to enhance our environmental performance, support social well-being, and uphold high standards of governance.

Embracing Opportunities

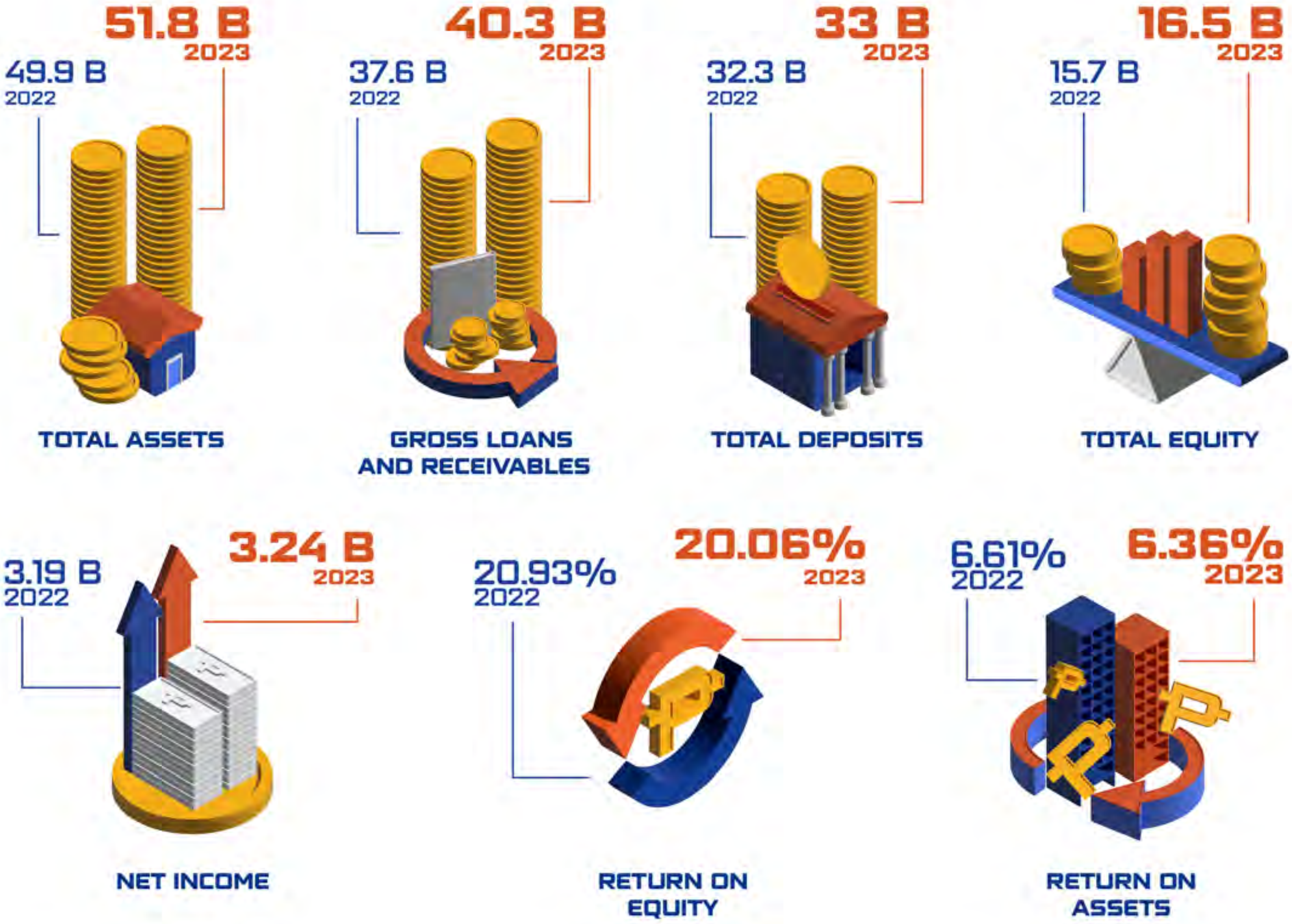
Looking ahead to 2024, we eagerly anticipate the opportunities that are in store for the Bank. Our steadfast commitment remains: to continuously deliver exceptional value to our customers, leverage on every opportunity to elevate efficiency and foster growth whilst upholding the highest standards of governance and integrity.

We extend our heartfelt gratitude to our BMI family, Board of Directors, shareholders, and employees. Your dedicated efforts and constant support have been instrumental in overcoming challenges and seizing opportunities throughout this year. To our valued customers, your trust inspires us to strive for excellence in all facets of our operations.

Together, we have achieved significant milestones and fortified our foundation for future growth. Through professionalism, dedication, perseverance, synergy, and teamwork, BMI is well-positioned to realize its vision and mission.

Despite potential economic fluctuations, we remain persistent in pursuing our strategic objectives and are committed to meeting our customers' financial needs and savings goals. We are confident that we will navigate and conquer the unprecedented challenges of 2024. We are, and will continue to be, your reliable partner: "Malalapitan, Maaasahang Kaibigan."

2023 FINANCIAL HIGHLIGHTS



	2022	2023
Profitability:		
Total Net Interest Income	7,935,528,891	7,760,364,010
Total Non-Interest Income	1,210,037,406	1,303,786,513
Total Non-Interest Expenses	4,200,137,719	4,296,725,556
Pre-provision profit	4,945,428,578	4,767,424,967
Provision for Credit Losses	1,760,282,750	1,530,448,237
Net Income	3,185,145,828	3,236,976,730
Selected Balance Sheet Data:		
Liquid Assets	13,496,928,186	14,779,862,458
Gross Loans and Receivables	37,568,749,478	40,339,381,896
Total Assets	49,935,195,274	51,800,894,191
Deposits	32,304,890,717	32,984,326,596
Total Equity	15,746,517,347	16,533,641,334
Selected Ratios:		
Return on Equity	20.93%	20.06%
Return on Assets	6.61%	6.36%
Tier 1 Capital Ratio	31.15%	32.01%
Capital Adequacy Ratio	31.81%	32.57%
Others:		
Cash dividends declared	2,000,000,000	2,500,000,000

Capital Adequacy Ratio
December 31 (in thousands Php)

	2023	2022
Tier 1 Capital	16,013,539	15,244,177
Tier 2 Capital	281,602	320,574
Gross Qualifying Capital	**16,295,140**	**15,564,750**
Less: Regulatory Deductions		
Significant minority investment in other financial allied undertakings	0	0
Total Qualifying Capital	**16,295,140**	**15,564,750**
Credit Risk Weighted Assets	36,850,990	35,905,253
Market Risk Weighted Assets	447,553	441,470
Operational Risk Weighted Assets	12,726,346	12,584,634
Total Risk Weighted Assets	**50,024,889**	**48,931,357**
Tier 1 Capital Ratio- Net	**32.01%**	**31.15%**
Total Capital Adequacy Ratio	**32.57%**	**31.81%**

Total Tier 1 Capital

	2023	2022
Paid-up Common Stock	5,000,000	5,000,000
Retained Earnings	8,366,828	7,676,398
Undivided Profits	3,262,113	3,211,380
Gross Amount	**16,628,941**	**15,887,778**
Deductions:		
Deferred Tax Asset	517,073	631,412
Other Comprehensive Income	44,434	12,189
Other Intangible Assets	53,895	0
Total Deductions	**615,402**	**643,601**
Total Tier 1 Capital	**16,013,539**	**15,244,177**

Total Tier 2 Capital

	2023	2022
Net Unrealized Gains on FVOCI	0	0
General Loan Loss Provision	281,602	320,574
Gross Amount	**281,602**	**320,574**
Deductions:		
Total Deductions	**0**	**0**
Total Tier 2 Capital	**281,602**	**320,574**

CORPORATE GOVERNANCE COMMITTEE

Martin G. Tengco Jr.
Chairperson

OVERALL CORPORATE GOVERNANCE STRUCTURE AND PRACTICES

Corporate governance is a key element in building sustainability and strengthening organizational efficiency. The primary purpose of corporate governance is to supervise, monitor, control, and oversee the authorized person's performance of administrative duties to ensure that the organization's resources are utilized efficiently and effectively in accordance with the strategic goals of an organization.

Good corporate governance leads to the creation of sustainable value for the businesses in order to achieve the four (4) elements of corporate governance: fairness, accountability, independence, and transparency.

The framework of Corporate Governance includes: 1) The Board of Directors who is responsible for the approval of strategies to achieve corporate objectives, risk governance framework, check and balance, sound corporate governance, and selection of key officers of senior management and control functions and oversee their performance; 2) Board-Level Committees which are delegated by the Board of Directors to perform some of the functions of the Board; 3) Senior Management that carries out the implementation of the strategies and initiatives approved by the Board; 4) Internal Control Groups which handle the implementation of the key control functions such as Risk Management, Compliance, and Internal Audit.

The corporate governance principles of the Bank focuses on the roles of the directors, management, and the employees and ensures the performance of their duties, creates added value for the business for both short-term and long-term goals, treats all stakeholders equally, promotes the development of good governance and ethics in conducting business operations, and provides opportunities for people to participate in expressing their opinions. The Bank has always placed importance on good corporate governance practices such that principles are reviewed and aligned with the developments in the industry.

To enforce bank wide compliance, and in adherence to the Bangko Sentral ng Pilipinas (BSP), the Securities & Exchange Commission (SEC), the Philippine Stock Exchange (PSE), and other standards and best practices. The Manual aims to instill awareness of respective responsibilities in maintaining corporate integrity and to mitigate and prevent management misconduct and corruption. It also promotes transparency and upholds the rights of the Stockholders and Stakeholders of the Bank.

The Bank through its Corporate Governance Committee performs annual review of the Corporate Governance Manual and recommends amendments and revisions as necessary.

SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Nomination/Election of the Board of Directors

In accordance with the Bank's Articles of Incorporation, Manual on Corporate Governance, BSP and SEC regulations, and the Revised Corporation Code of the Philippines, the nominations of the Directors are submitted not later than the date of the Annual meeting of the Stockholders to the Corporate Governance Committee (CGC) through the Secretary of the Corporate Governance.

The Bank's shareholders may recommend candidates for nomination and election of the Board. The Corporate Governance Committee itself may likewise identify and recommend qualified individuals through the use of professional search firms or other external sources of candidates to search qualified and fit candidates. The Corporate Governance Committee shall evaluate and pre-screens the qualifications of the nominees and submits the same for the final review of the Board of Directors. The nominees should meet the minimum requirements / qualifications prescribed by the Bank, BSP, SEC, and other regulatory agencies such as independence of mind, and sufficiency of time to carry out responsibilities as member of the Board of Directors. After the review of the CGC, they shall issue a final list of candidates, including summary of relevant information about the nominated directors. Only nominees whose names appear on the final list of candidates shall be eligible for the election as director. No other nominations shall be entertained after the final list of candidates has been released.

The holders of the common stock are entitled to vote in the manner prescribed under existing law or applicable provisions of the Revised Corporation Code of the Philippines, whose qualifications shall be subject to the approval of the Monetary Board of the Bangko Sentral ng Pilipinas. The elected Board of Directors shall hold office for one (1) year until their successors are elected at the next annual stockholders meeting. On June 16, 2023, the seven (7) nominees who have received the highest number of votes were declared elected. The seven (7) Board members led management reforms and balance the fulfillment of the BMI's group responsibilities.

Nomination/Election of the Independent Directors

The Independent Directors shall also be elected in accordance with the standard election procedures of the Bank during the Annual Stockholders Meeting. The Chairman of the Board shall inform all stockholders in attendance of the mandatory requirements of electing Independent Directors. The Independent Directors are evaluated to assess their qualifications and to ensure specific slots of Independent Directors are fill in by qualified nominees. On June 16, 2023, three (3) Independent Directors were elected for office for one (1) year until their successors are elected at the next annual stockholders meeting.

Selection Process of Senior Management

The Board of Directors is tasked to ensure that Senior Management expertise and knowledge shall remain relevant given the Bank's strategic objectives, complexity of operations, and risk profile. The Board has constituted the Corporate Governance Committee to oversee the selection process and the performance evaluation of the Senior Management of the Bank.

The Officers as defined in the Bank's By-Laws shall consist of the following: President, a Managing Director, an Executive Vice-President, one or more Senior Vice-Presidents, one or more First Vice-Presidents, one or more Vice-Presidents, one or more Senior Assistant Vice-Presidents, one or more First Assistant Vice-Presidents, one or more Assistant Vice-Presidents, a Treasurer, and a Corporate Secretary. It shall also include the heads of the control functions – Chief Audit Executive, Chief Risk Officer, and Chief Compliance Officer and consist of the Management Level Committees and other officers as it deemed necessary.

One of the Corporate Governance Committee's responsibilities is to appoint competent and trustworthy Senior Management and/or Officers of the Bank that upholds the vision and core values of the Bank.

The key consideration in the selection process of the Senior Management and/or Officers of the Bank is through 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, skill and diligence in the Bank's business either current or planned. The Bank has appropriate succession plan to immediately fill in critical positions when necessary.

The appointment of the President, Group Heads, and Department Heads shall be carefully reviewed by the Personnel Committee with a full report of the profiles of the nominee that shall serve as basis of the nomination. The Corporate Governance Committee shall evaluate the qualifications of the nominees to review the minimum requirements / qualifications prescribed by the Bank, BSP, SEC, and other regulatory agencies. Based on the recommendations of the CGC, the Board of Directors shall make the final decision in the appointment of the President and the Senior Management.

The appointment of officers with the rank Senior Vice President and up shall require prior approval by the Monetary Board before they assumed the said positions.

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

BOARDS OVERALL RESPONSIBILITY

The Board of Directors sets the tone of the corporate governance by adhering to the principles and standards of the Bank. They are accountable to the stakeholders in running the Bank in a prudent and sound manner to ensure long term sustainability and success.

The Board is primarily responsible for reviewing and approving the strategic objectives on an annual basis and thereafter monitoring and overseeing the effective implementation with due consideration given to risk strategies, corporate governance, and corporate values. The Board is also responsible for monitoring the Management's performance against set targets and ensuring that appropriate controls and systems of check and balance are in place and operating effectively.

In June 2023, seven (7) directors were elected as members of the Board, three (3) of whom are independent directors, one (1) non-executive director, and three (3) executive directors of the Bank. The elected Board of Directors possesses the required expertise and experience in providing the strategic direction of the Bank. The qualifications of the Board are based on integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience. The members of the Board were elected without discrimination against gender, age, and ethnic, political, religious, or cultural backgrounds, and therefore achieving diversity in the Board.

The members of the Board of Directors are furnished with a copy of their duties and responsibilities and with training on corporate governance, as part of the BSP's requirements in confirming elected bank directors.

The office of the Corporate Secretary through Corporate Affairs Office supports the Board, and manages the flow of information prior to Board meetings. The responsibility of the Corporate Affairs Office includes the preparation of the Agenda and Minutes of the Meeting and ensures that notices required under the By-Laws are given to all directors and stockholders.

BOARD OF DIRECTORS

The seven members of the Board of Directors are composed of three (3) Independent Directors, three (3) Executive Directors, and one (1) Non-Executive Director. They are entrusted with the primary duty of upholding the Bank's commitment to good governance. The composition of the Board is a healthy mix of individuals with diverse experiences, backgrounds, and perspectives and combination of executive and non-executive directors and independent directors.

All the directors were assessed 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. They possess the qualifications and stature that enables them to effectively participate in the deliberations of the Board. Their role involves providing sound guidance to the Bank's management by giving clear directions and overseeing the implementation of the Bank's approved strategies. They act to the best of their ability and judgment and consistent with their responsibilities for the interest of the Bank.

The Board also selects and appoints the composition and members of the Corporate Governance Committee. The Corporate Governance Committee is composed 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 that is built on integrity and transparency.

The responsibilities of the Board include the following:

a. Establish the code of ethical standards in the Bank and play the lead role in establishing the Bank's corporate culture and values
b. Overseeing management's implementation to achieve business strategies and targets set by the Board
c. Appointment/selection of key members of Senior Management and heads of control functions and the approval of sound remuneration and other incentives policy for personnel
d. Approving of risk governance framework and ensuring the implementation of appropriate systems to manage those risk
e. Approving and overseeing the implementation of the Bank's corporate governance framework.

The Bank is led and managed by an experienced board of directors with extensive experience in Banking activities as well as audit background.

- Independent Director (ID) - is a non-executive director who helps the bank in improving the credibility and governance standards. He or she does not have any relationship with the company that may affect the independence of his/her judgment. He/she is someone who will not compromise loyalty and independence in every way – intellectually, financially and politically. The Independent Directors are unlikely to have any family or majority ownership to the Bank.

The number of Independent Directors is compliant with the requirement set by the BSP and SEC rules and regulations. The independent directors provide input based on objectivity and presented reports and documents.

More importantly, the Independent Director is part of the Board of Directors to promote corporate governance which aims to raise investor's confidence and protection of stockholders interest.

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

- Non-executive Director (NED) – the NED's role is to provide independent judgement, these are the directors who are not part of the day-to-day management of the Bank's operations. He or she has detailed knowledge of the business to guide to make an informed decision. He or she also recognizes the division between the board and management.
- Executive Director (ED) – brings an insider's perspective to the Board which can be very valuable when discussing the operations of the bank. He or she must always be alert to the potential conflict between the management's interest and their duties as director. The Executive Director is responsible for steering the organization and direct management of the implementation of Board-approved policies, procedures, strategies, and initiatives.

MAJOR ROLE AND CONTRIBUTION OF THE CHAIRMAN OF THE BOARD

The Chairman of the Board of Directors is elected by the majority of the Board members to provide active leadership by ensuring that the Board and its various committees are functioning effectively and to set the overall direction of the organization.

The Chairman of the Board ensures that the Board follows a sound decision making process and sets the tone of good governance from the top.

The Chairman's responsibilities includes the following: 1) ensures that the meeting agenda focuses on strategic matters including discussion on risk appetite and key governance concerns; 2) ensures sound decision making process; 3) encourages and promotes critical discussion; 4) ensures that dissenting views can be expressed and discussed within the decision-making process; 5) ensures that members of the Board of directors receive accurate, timely, and relevant information; 6) ensures the conduct of proper orientation for first-time directors and provides training opportunities for all directors; and 7) ensures the conduct of performance evaluation of the Board of Directors at least once a year.

BOARD COMPOSITION

As of December 31, 2023

	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	22	56,745,948	11.34919%
2	Ramon B. Manzana	Executive Director	N/A	22	19,900,055	3.98001%
3	Luis M. Chua	Executive Director (President)	N/A	6	10	0.00000%
4	Victor C. Ongtenco	Executive Director	N/A	2.5	53,737,581	10.74752%
5	Martin G. Tengco Jr.	ID (Independent Director)	N/A	1.5	1	0.00000%
6	Shirley M. Sangalang	ID (Independent Director)	N/A	2.70	1	0.00000%
7	Sofia C. Ladores	ID (Independent Director)	N/A	2.5	1	0.00000%

LIST OF BOARD-LEVEL COMMITTEES INCLUDING MEMBERSHIP AND FUNCTION

Board-Level Committees	Members		Functions
Executive Committee (EXCOM)	Mr. Ramon B. Manzana	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	
	Mr. Victor C. Ongtenco	Member	
Corporate Governance Committee (CGC)	Mr. Martin G. Tengco, Jr.	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 ensures the effectiveness of its due observance on corporate governance policies and procedures applicable to business. The CGC is also tasked to evaluate the qualifications of all persons nominated as director as well as other positions requiring appointment by the Board of Directors. The CGC oversees the periodic performance evaluation of the Board and Board-level Committees 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 monthly. However, additional meetings may be convened as required upon agreement of all members.
	Ms. Shirley M. Sangalang	Member	
	Ms. Sofia C. Ladores	Member	
Risk Oversight Committee (ROC)	Ms. Sofia C. Ladores	Chairperson	The Risk Oversight Committee (ROC) is responsible for the oversight of the enterprise risk management 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 meeting is being held monthly and is supported by the Risk Management Group (RMG). However, additional meetings may be convened as required upon agreement of all members.
	Ms. Shirley M. Sangalang	Member	
	Mr. Martin G. Tengco, Jr.	Member	
Audit and Compliance Committee (ACC)	Ms. Shirley M. Sangalang	Chairperson	The Audit & Compliance Committee (ACC) is appointed to provide independent oversight of the Bank's financial reporting, internal control and risk management, internal and external audits, and regulatory compliance of the Bank. The ACC is composed of at least three (3) members of the Board, majority of which are independent directors including the committee chairperson. The ACC meets at least once a month and is supported by the Internal Audit Group (IAG) and the Compliance Group (CG). However, additional meetings may be convened as required upon agreement of all members.
	Ms. Sofia C. Ladores	Member	
	Mr. Martin G. Tengco, Jr.	Member	
Related Party Transactions Committee (RPTC)	Mr. Martin G. Tengco, Jr.	Chairperson	The Related Party Transactions 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 on arm's-length terms to protect the interest of all 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 at least once a month and is supported by the Compliance Group (CG). However, additional meetings may be convened as required upon agreement of all members.
	Ms. Shirley M. Sangalang	Member	
	Ms. Sofia C. Ladores	Member	

DIRECTOR'S ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

JANUARY – DECEMBER 2023	BOARD COMMITTEE No. of meetings: 14		CORPORATE GOVERNNANCE COMMITTEE No. of meetings: 12		EXECUTIVE COMMITTEE No. of meetings: 13		AUDIT AND COMPLIANCE COMMITTEE No. of meetings: 27		RISK OVERSIGHT COMMITTEE No. of meetings: 25		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	13	93%			13	100%						
Luis M. Chua	14	100%			13	100%						
Victor C. Ongtenco	14	100%			12	93%						
Martin G. Tengco Jr.	13	93%	12	100%			27	100%	25	100%	12	100%
Shirley M. Sangalang	13	93%	12	100%			27	100%	25	100%	12	100%
Sofia C. Ladores	14	100%	12	100%			27	100%	25	100%	12	100%

LIST OF MAJOR STOCKHOLDERS*

As of December 31, 2023 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

BOARD OF DIRECTORS AND BOARD LEVEL COMMITTEES

Annually the directors conduct annual self-rating exercises for the Board and the Board-level committees using Self-assessment questionnaire to gauge their effectiveness and determine the areas of improvement vis-a-vis set performance standards that are consistent with the strategic objectives and business plans. The questionnaires use a scale of 1-10 (the lowest being not observed (1) and the highest being largely observed (10) to determine the performance rating.

The Compliance Group facilitates annually the self-assessment, through distribution of Self-assessment Questionnaire to individual directors representing the Chairman and the Members of each Board-level committee. The Corporate Governance Committee members collectively evaluate each Board Member based on competence, attendance and participation in the meetings, integrity, and the overall execution of duties and responsibilities.

The Corporate Governance Committee reviews the consolidated Self-assessment results, after which these are reported to Board of Directors.

The results of the July 2022- June 2023 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	Shirley M. Sangalang	Largely Observed	Largely Observed	Largely Observed	Largely Observed	Largely Observed	
6	Sofia C. Ladores	Largely Observed	Largely Observed	Largely Observed	Largely Observed	Largely Observed	
7	Martin G. Tengco Jr.	Largely Observed	Largely Observed	Largely Observed	Largely Observed	Largely Observed	

Performance Evaluation Result: **Largely Observed**

Each Board Member actively and effectively performed their duties and responsibilities as part of the Board of Directors and as a Chairman/Member of the 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

In compliance with Section 132 of the BSP MORB and in accordance with the Bank's Corporate Governance Manual, the Corporate Governance Committee is mandated to oversee the continuing education of the Board of Directors which aims to ensure that the Directors are adequately equipped to provide oversight in a dynamic and changing environment. The Continuing education programs for directors will cover the topics such as financial reporting, strategic issues, market condition, risk management issues, regulatory compliance issues, code of conduct, and business practices and sustainability.

In 2023, the members of the Board of Directors have attended the seminars on Anti-Money Laundering Laws and Regulations.

In addition, the Bank's Compliance Group consistently provides updates through reporting of regulatory issuances from the BSP, AMLC, SEC, and PDIC to the Board and Board-level committees. The Controller's provides presentations on the financial performance of the Bank as well as updates from the Bureau of Internal Revenue (BIR). The Legal Group also provides updates on laws and legal requirements.

The newly appointed First-time director/s are required to attend a seminar on Corporate Governance specific for the Members of Board conducted by a private or government institution duly accredited by the Bangko Sentral ng Pilipinas. The newly appointed First-time director should also attend proper orientation and should receive copies of the general responsibility and specific duties and responsibilities of the Board of directors and of a Director and they should fully understand and accept the same. The Board orientation is to thoughtfully provide the First-time director/s with the precise information and education they need on their roles in the bank, roles as chairman or member of the board of directors and of a board-level committee/s. It also provides guidance in equipping the Board with the required skills and knowledge to meet their obligations as directors.

RETIREMENT AND SUCCESSION POLICY

RETIREMENT POLICY – DIRECTORS

In accordance with the Manual of regulations for Banks, a director shall remain as director of the bank as long as he is re-elected as director and for as long as he/she remains to be fit and proper, the following must be considered: integrity/probity, physical/mental fitness, relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities.

The director should continue to be mentally fit to discharge his duties and responsibilities which include physical attendance and active participation in the Board and Board-level committee meetings and by contributing meaningful inputs and insights during the discussion. The director shall also ensure that he/she attends the Board and Board-level committee meetings based on the frequency of meetings set forth in the charter of each Board and Board-level committee meetings.

The directors should prove that he/she is fit and proper for the position. The annual performance self-assessment is one of the tools to determine if a director can be re-elected as director.

In any case that the director/s has intention to retire or refrain from seeking re-election, the Corporate Governance Committee shall acknowledge the decision of the director and take necessary steps for a smooth transition of the change in the board composition.

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 they may continue to serve as a regular director.

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 - BOARD

The Corporate Governance Committee is responsible for the evaluation of the diversified background of directors and the senior officers of the Bank in terms of professional and technical knowledge, past experiences as well as standards required for independent directors, and based on these criteria, they shall assess and nominate candidates to serve as directors and officers of the Bank. The Corporate Governance Committee is also responsible to fill in the composition of the Board, the Board-level Committee, and the Management Committees through its succession plans for the director and senior officers.

As part of the Bank's activities, the CGC reviews the succession plan of directors through a) invite current directors to recommend suitable candidates, b) consider directors recommended by the shareholders, c) hire consultants to propose suitable director candidates, d) for re-election, use the self-performance evaluation as reference. The nominees are thoroughly evaluated by the Committee.

The vacancies in the Board are filled through casting of votes of at least majority of the remaining directors of the Bank. The Corporate Governance Committee is responsible in ensuring that the candidate/nominee possesses all the prescribed qualifications and none of the disqualifications as Directors as required by the regulations.

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 our By-Laws, no compensation shall be paid to any director as such, but the directors of the Bank may be allowed reasonable honoraria for attendance at meetings and also reasonable expenses incurred in connection thereto. The total annual compensation of Directors for their attendance in Board and Board-Level Committee meetings for the period of January to December 2023 was Php 4,995,000.00.

POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

The Bank recognizes that Related Party Transactions (RPT) may give rise to conflicts of interest. Thus, the Board has established an overarching policy that will ensure the effective conduct of due diligence, arm's length vetting process, and sound reporting and monitoring of transactions of the Bank with its Related Parties (RPs).

The Related Party Transactions Committee has been created to assist the Board in ensuring that transactions with related parties are evaluated to ensure that these transactions are conducted on arm's length terms and that corporate or business resources of the Bank are not misappropriated or misapplied. After appropriate review, the Committee shall disclose all information and endorse to the Board with recommendations.

The Related Party Transactions Committee is appointed and authorized by the Board of Directors to assist in fulfilling its responsibility to strengthen corporate governance and practices particularly on related party transactions (RPTs). The authority of the Committee is taken from the Bank's By-Laws, RPTC's charter, and from the resolutions and approvals that maybe granted by the Board from time to time. Below are the primary functions of the Committee:

1. Review all RPTs and endorse those that require Board approval;
2. Formulate, revise, and approve policies on related party transactions;
3. Conduct and make inquiry on issues related to RPTs
4. Consult or retain at the Bank's expense such outside legal counsel, accounting or other advisers, consultants or experts as the Committee may consider necessary from time to time to carry out its duties, and
5. Require all responsible units to present to the Committee reports and information to carry out its function.

The related party transactions should be made in the ordinary course of business and on substantially same terms, including the interest set and collateral as those prevailing at the time of comparable transaction with other parties. The related party transactions must not involve more than the normal risk of collectability or present other unfavourable conditions.

The Board of Directors, Officers, and Shareholders shall disclose whether directly, indirectly or on behalf of third parties if they have a financial interest in any transaction or matter affecting the Bank. The said directors and/or officers with interest in the transactions shall abstain from the discussion, approval and management of such transactions or matter affecting the Bank.

The Bank's Board of Directors has approved the RPT Policies and Procedures for the guidance of all concerned in dealing with related parties. These policies are annually subjected to review to remain relevant and aligned with the regulatory issuances. All material RPTs are reviewed and vetted by the RPT Committee before they are endorsed to the Board for approval and are ratified by the stockholders during the Annual Stockholders meeting.

Please refer below for the Related Party transactions and on the Notes to Financial Statement relative to this:

Related Parties	Relationship	Nature of Transaction	Date / Amount	
Transnational Properties Inc.	[1]Related Interest / Other related party	Credit Transactions – Back to Back Loan Line	January 31, 2023 February 28, 2023 March 31, 2023	P165,000,000.00 P165,000,000.00 P165,000,000.00

[1]RP3.4 RI4/RP 4.4 - Related Interest corporation, association, or firm of which any or a group of directors, officers, stockholders of the lending bank and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association or firm/ Other person/juridical entity whose interest may pose potential conflict with the interest of the Bank.

SELF ASSESSMENT FUNCTION

The Bank's control or oversight groups includes the Internal Audit Group (IAG), Compliance Group (CG), and the Risk Management Group (RMG), these groups report to the the Audit and Compliance Committee (ACC) and the Risk Oversight Committee (ROC) respectively.

INTERNAL AUDIT FUNCTION

The Audit and Compliance Committee is formed by the Board of Directors in fulfilling its oversight responsibilities and ensuring good Corporate Governance. The Internal Audit Group (IAG) is established by the Audit and Compliance Committee in the discharge of its duties and responsibilities.

Internal audit is an independent, objective assurance and consulting function established to examine, evaluate and improve the effectiveness of internal control, risk management, and governance systems and processes of an organization, which helps management and the Board of Directors in protecting the Bank and its reputation. The Internal Audit Group is committed to assist in the achievement of Bank of Makati's goals and objectives in partnership with Management by providing independent appraisal, analyses, counsel related to financial reporting processes, identification and implementation of internal controls, enhancements that will improve efficiency and effectiveness of business functions, compliance with existing laws and assessment and management of business risks.

The IAG must be independent and the Internal Auditors must be objective in performing their work. IAG must be free to report audit results, findings, opinions, assessments and other information to the appropriate level of Management. To provide for independence of IAG and objectively of its personnel, the Internal Audit personnel report to the Chief Audit Executive, who reports functionally to the Audit and Compliance Committee and administratively to the Chief Executive Officer or President, as set forth in his authority.

The Internal Audit Group determines whether the Bank's network of risk management, control, and governance processes, as designed and represented by Management, is adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed;
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Resources are acquired economically, used efficiently, and protected adequately
- Quality and continuous improvement are fostered in the Bank's control process; and
- Significant legislative or regulatory issues impacting the Bank are recognized and addressed appropriately

The scope of internal audit shall cover, among others, the following:

- Evaluation of the adequacy, efficiency and effectiveness of financial reporting processes, internal control, risk management and governance systems in the context of current and potential future risks
- Review of the reliability, effectiveness and integrity of management and financial information systems, including the electronic information system and electronic banking services

- Review of the systems and procedures of safeguarding the bank's physical and information assets
- Review of compliance of trading activities with relevant laws, rules and regulations
- Review of the compliance system and the implementation of established policies and procedures
- Internal audit operations cover the completeness and reliability of financial information; compliance with relevant laws, regulations, policies, and relevant orders; work process that has major impact on operations and reporting on the appropriateness of asset retention; and to assess whether the use of the Bank's resources is efficient and worthwhile.

The IAG set guidelines for the conduct of internal audit engagements will be guided by and strive to meet the International Standards for the Professional Practice of Internal Auditing (Standards) of the Institute of Internal Auditors. Also, in line with carrying IAG's function, it shall likewise adhere to the internal audit standards as prescribed by the Bangko Sentral ng Pilipinas per Circular 499 Series of 2005, including subsequent amendments thereto.

The Chief Audit Executive releases written audit reports with auditor's assessment and conclusion of each audit. The copies of the written audit reports will be distributed to the concerned Department/Groups who will be responsible for ensuring that progress is made toward correcting any issues of findings raised in the written audit reports. IAG is responsible in determining and evaluating the reasonableness or appropriateness of the departments/groups action to audit findings. IAG will determine whether corrective action was taken and is achieving the desired results, in the event that a corrective action has not been taken, Internal Audit will inform the Senior Management of the potential risk and exposures in allowing unsatisfactory conditions and related audit findings will be tagged as "Open".

The BMI's Board of Directors has the ultimate responsibility for ensuring that Senior Management establishes and maintains an adequate and effective system of internal controls, a measurement system for assessing the various risks of the Bank's activities, a system for relating risks to the Bank's capital level, and appropriate methods for monitoring compliance with laws, regulations, and supervisory and internal policies. Senior Management, on the other hand, is responsible for developing processes that identify, measure, monitor, and control risks incurred by the Bank.

COMPLIANCE GROUP

The Bank's Compliance Group (CG) is responsible in assisting the Management to ensure that all employees comply with the specific requirements consistently and adhere to laws and regulations. The BMI Compliance Group's is headed by the Chief Compliance Officer (CCO) with a mandate to ensure that the Bank is conducting business in a sound and safe manner by complying with the existing rules and regulations issued by the regulatory bodies. The Compliance Group is responsible in the identification and management of compliance risk. The Compliance Group has two (2) departments, the Regulatory Compliance Department and the AML Department.

The Compliance Group takes a proactive role in partnering with the business and operations units to ensure compliance across the bank. It aligns its compliance activities based on the compliance risk associated with the business priorities in light of more stringent regulations, technological innovations, and emerging threats and continually works on maintaining the Bank's adherence to applicable regulations.

The Compliance Group promotes compliance awareness among officers and staff through dissemination of regulatory issuances from BSP, AMLC, SEC and the PDIC, at the same time supports related table discussions. It conducts periodic compliance testing and regular monitoring of the Bank's activities with noted observations and provides updates to the Audit and Compliance Committee with regard to the actions plans of the concerned units.

The Compliance Group is independent from the business activities of the Bank and is managed by the Chief Compliance Officer. Compliance responsibilities are shared among all Bank personnel as well as across various units of the Bank, to effectively facilitate effective management of compliance risk by:

a. Informing the Board of Directors and Senior Management on relevant laws, rules and regulations;
b. Record-keeping of all regulatory circulars and act as the central repository of information pertaining to rules and regulations mandated by regulatory agencies;
c. Apprising the Bank's personnel on compliance issues, and provides guidance for regulatory compliance related queries;
d. Identifying, assessing , and documenting the compliance risk associated with the Bank's activities;
e. Establishing written guidance on the appropriate implementation of the rules and regulations through the Compliance Manual, MTPP, and other relevant manuals;
f. Monitoring the compliance by performing sufficient and representative compliance risk assessment and testing - this includes performing spot check to test compliance with policies and procedures, conducting inquiries into deficiencies and/or breaches, and carrying out investigations;
g. Maintaining a constructive working relationship with the BSP and other regulators.

MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM

As required by the regulations, the Bank has a Board-approved program that is consistent with the AMLA, as amended, and the provisions set out in the Manual/Program is designed in accordance with the Bank's corporate structure and risk profile. The Bank has developed and implemented its MTPP that ensures risk associated with money laundering such as counter-party, reputational, operational, and compliance risk are identified, assessed, mitigated, controlled, and monitored.

The MTPP is disseminated to all employees to provide awareness on AML regulations, guidance on how to identify and report suspicious transaction, penalties for non-compliance, attendance to the required AMLA trainings, and to comply with regulatory requirements. The applicable law on on secrecy of deposit is strictly complied with at all times when implementing the procedures in combating money laundering and terrorist financing.

The Compliance Group in coordination with the Bank's training department also manages online and classroom training programs to ensure that all Bank's personnel are updated with the recent laws and regulations and bank policies pertaining to AML/CFT.

DIVIDEND POLICY

In accordance with the Bank's Amended By-Laws and per approval of the Board of Directors, the Bank may declare dividends out of the unrestricted or free retained earnings and undivided profits as reported in the Financial Reporting Package (FRP) as of fiscal year-end preceding the dividend declaration date.

The Bank has declared a cash dividend on September 12, 2023 amounting to PHP 2.5B.

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

The Bank, through its Board of Directors, ensures that the Stockholders are treated equally and without discrimination by preserving stockholders rights and protecting the minority stockholder's interest as required under the Corporation Code of the Philippines.

RISK OVERSIGHT COMMITTEE

Sofia C. Ladores
Chairperson

Oversight of Enterprise Risk Management

In 2023, ROC, as an oversight board-level committee, strengthened risk management by understanding fully the root-cause of every single risk/loss to determine the enterprise risk profile of BMI for subsequent escalation to the entire Board, who is ultimately responsible for managing the risks assumed by the Bank.

Considering that the BSP holds the entire Board and Senior Management accountable and liable 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 controlling and managing risk. The collaborative approach facilitates the profiling of risk and preliminary implementation of Enterprise Risk Management (ERM) and 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 directed RMG to enhance the existing risk management approach, RM framework/tools/reports and monitor its efficiency and effectiveness. Similarly, ROC enjoined the Management to implement fully the board-approved policies and procedures. The enhancements aim to gradually move toward full implementation of ERM involving all business units and to drop the "silo" risk management approach.

Jointly with Management and business units, ROC directed RMG to spearhead the conduct of the regular review of final quarterly ICAAP to determine the future actions of Management in improving capital utilization. The review involves stress testing of the desired level of CRWA, MRWA and operational losses to manage and optimize capital utilization.

The results of the forward looking stress test serve as the benchmark/target of business units in generating the ideal level of current loans and investment. Similarly, it will serve as limit for the desired level of past due, NPL, operational risk such as IT risk, legal risk, reputational risk, compliance risk, personnel risk, environmental & social risk. Losses arising from these risks have direct impact to income and subsequently affecting capital.

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.

The major challenge in the full 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.

Despite the key challenges, ROC directed RMG, ITG and ISD to improve and align the existing RM tools with ERM approach. Below are the detailed initiatives and accomplishment of RMG in 2023 in managing risks aligned with BSP policies and suggestions.

2023 RMG ACCOMPLISHMENT/INITIATIVES

Accomplishment 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 advice in compliance with the BCP committee charter. Also, lead the initiatives on Business Continuity Management, consistent monitoring of the regulatory compliance of BMI and ensuring compliance with new regulations.
- As Resource Person, attend meetings to give advices in compliance with the committee charter of the AMLA Committee.
- Provide guidance to Bank units as Resource Person for various Management Committees (ALCO, ITMSC, Mancom Risk).

Management of Credit Risk

Credit risk management is responsible for monitoring the implementation of Management's actions to manage risk arising from the lending exposure of the Bank. Credit risk management is mitigating losses by assessing borrower's credit risk, i.e. including payment behavior and affordability.

2023 Key Achievements/Initiatives

Updating of CRMD Operations Manual

The initiative was implemented to align the Bank's existing policies/procedures/practices with BSP MORB and to resolve the recent Internal Audit's findings on CRMD Operations Manual.

Revisions involved the following:

- MCL Scorecard Model Development. The Board-approved MCL scorecard model was developed in response to the changing portfolio of the Bank, to consider possible impact(s) of the pandemic and to address BSP suggestion to adopt a credit scoring model which can reasonably predict the borrower's creditworthiness. Further, while the New MCL Application Credit Scoring Model may have good characteristics and acceptable normative predictive accuracy based on the HO sample, CRMD tested the accuracy level of the model using out-of-time sample data.
- Revised Credit Lagging Key Risk Indicators (KRI). The Board-approved revised Credit Risk Lagging KRIs are metrics that provide early signal of increasing credit risk exposures across the bank. These represent key ratios which shall be tracked as indicators of evolving risks or potential opportunities which signal the appropriate actions to be taken. The revisions were based on the selected performance indicators monitored by the BSP, historical data and industry practices. The design of the KRIs was also established following the blueprint commissioned by COSO (Committee of Sponsoring Organizations of the Treadway Commission) on Developing Key Risk Indicators.

Preparation of Vintage Analysis Report (MCL and Non-MCL)

The report prepared for information of ROC evaluates the performance and credit quality of loan portfolio in different periods of time after the loan was granted. This report monitors and highlights the loans booked for the year with high cumulative default ratios and tracked the reasons related to the portfolio performance of the Bank.

Annual Revisit of Borrower's Risk Rating (BRR) for Business Loans

Mancom, ROC and the Board duly noted the result of the 2023 review of BRR model for Business Loans which showed that the existing model developed in 2012 was no longer reliable because accounts with pass ratings recorded higher default rates. Hence, CRMD recommended the re-modelling of BRR. Gathering of data to craft a new BRR for Business Loans have been started.

Conduct of Cohort Analysis for Non-MCL 2022

This tool determines the risk impact of approved-policy deviations in the performance of loan accounts, from credit initiation to termination of accounts and serves as basis of enhancing credit policies. Result of the study showed that the approved-policy deviations do not affect the performance of the loan accounts in view of the risk mitigating measures adopted by the Management.

Conduct of Post Approval Credit Review

As part of BMI's loan portfolio management and to comply with the BSP suggestion to conduct post credit review (at least annually), RMG conducted post approval review of 2021 MCL portfolio and Power Negosyo Enterprise Loan (PNEL) portfolio to determine trends, identify problems, lessen the credit risk, non-compliance with the approved terms and conditions. RMG proposed applicable resolutions for Management to consider to further improve loan portfolio quality.

Validation of Business Loans Impairment Model

MANCOM, ROC and Board approved the Business Loan Impairment policy in February 2023 in compliance with PFRS 9 for impairment financial assets. RMG performed oversight by validatingthe accuracy of impairment and consolidating the list of accounts submitted by Lending Group/Sector Heads.

Monitoring of Business Loan Line Renewal

This task was strictly conducted monthly, presented to and noted by ROC toremind the account officers to fast-track the renewal of loan lines before expiry date and conduct appropriate action as delayed renewal of loan lines would result in increases in PD and NPL ratios.

Participation in Independent Model Validation Training

As part of RMG people development, RMG attended independent model validation training in August 2023. Training aims to equip RMG team with the necessary skills to conduct independent risk model validation and make sound decisions for BMI's internal models. The training covered a broad range of topics, starting with an introduction to risk models and their applications in banking. RMG adapted model validation concepts such as functions of risk models, Model Risk Management (MRM), and implemented independent model validation.

BMI's Market Risk internal models served as the foundation for the case studies, providing real-world context to theoretical concepts and ensuring a practical understanding of participants.

Credit Exposure as of 31 December 2023

The table below shows BMI's maximum exposure 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	108,263,927.60	0%	-
Due from BSP	945,927,596.25	0%	-
Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)	3,645,497,866.46	0%	-
Debt Securities at Amortized Cost	5,918,161,015.69	0%	-
Loans and receivables arising from repurchase agreements issued by Philippine National Government and the BSP	3,994,077,531.00	0%	-
Loans covered by hold-out deposits	25,296,718.07	0%	-
Loans guaranteed by Philguarantee	76,465,836.54	0%	-
Housing Loans fully secured by first mortgage- not classified as non-performing	81,705,802.16	50%	40,852,901.08
Qualified MSME Loans	3,915,978,663.74	75%	2,936,983,997.81
Housing Loans fully secured by first mortgage- classified as non-performing	425,118.47	100%	425,118.47
All other non-performing loans and debt securities	2,200,534,347.78	150%	3,300,801,521.67
Real and other properties acquired and Non-current assets held for sale, net of allowance for losses	575,065,725.72	150%	862,598,588.58
Net Other Assets	29,709,328,163.01	100%	29,709,328,163.01
Total Credit Risk Weighted Assets	51,196,728,312.49		36,850,990,290.62

Major Challenges

Due to the dissolution of Data Governance and Analytics Department (DGAD) which wast asked to develop MCL scorecard model, CRMD, with independent oversight function, was assigned to develop a new MCL Scorecard Model under the supervision of the CRO. The MCL scorecard model was developed and approved by the Board on 15 August 2023 but was implemented only on 08 January 2024 due to some challenges in adopting the new scorecard in the Loans Origination System. The implementation of the new MCL scorecard complies with the BSP suggestion to adopt a credit scoring model that can reasonably predict the borrower's creditworthiness.

Management of Market & Liquidity Risk

Regular Functions

- Design, establish, document and update policies, procedures, metrics and assumptions on Market and Liquidity (ML) risk management to attune with the current market scenario and to comply with BSP recommendations to improve risk measurement tools and the assumptions used. In 2023, various procedures were upgraded, including use of reverse stress testing for liquidity risk measurement tools, a more holistic approach to analyzing large depositors which led RMG to revise the core deposit estimate, and adopted the historical model for daily VAR measurement.
- 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. Measure risk on ML exposures in coordination with business units involved. Limits are revisited annually in coordination with Treasury Group and secure Board approval for the revisions. Monitor excess in approved limits and immediate escalation of limits exceptions.

- 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.
- Perform analysis of counterparty banks for annual credit lines renewal.
- Perform periodic (annual or semestral) stress testing of ML risk exposures to determine impact on CAR.
- Conduct continuous training for MLRMD personnel on nine (9) sponsored seminars on ML Risk and other relevant topics.

2023 Key Achievements/Initiatives

- Resolved and complied with seven outstanding BSP findings : Guidelines on MLR monitoring policy, Use of different time horizons in MCO Stress-testing, Conduct of Reverse Stress-testing on Liquidity tools to develop scenarios outside of business expectations, Preparation of MAT for MCO limit utilization, Use of additional buckets for accounts in re-pricing gap not reflective of actual behavior, Inclusion of all IRS assets and liabilities in all buckets used for testing, and conduct of model validation.
- Obtained a "compliant" rating from an independent assessor on the validity of the Interest Rate Risk Gap, EAR Report and MCO models used by the department.
- Reviewed and updated the 2023 ML Risk Limits and the review concluded that no major changes from the previous year are needed. MLRD monitoring of actual transactions vs. approved limits revealed no breaches.
- Resumed monitoring of the Bank's Large Depositors (Q3 2023) and monitoring of FVPL Trading Desk with increased trading activities.
- Assisted CRMD in generating policies and procedures for PFRS-9 Loans Impairment.

Market Risk Exposure as of 31 December 2023

As of 31 December 2023, the Bank's market risk-weighted assets amounted to PhP447.55 million, or 0.89% of the PhP50.02 billion total risk-weighted assets. Note however that the amount represents only exposures to private corporate bond issuers, in the FVOCI portfolio. Government Securities is PhP3.116 billion.

Risk-based CAR as of 31 December 2023 (in millions PhP)	
Net Tier 1 Capital	16,013.54
Net Tier 2 Capital	281.60
Total Qualifying Capital	16,295.14
Credit Risk-weighted Assets	36,850.99
Operational Risk-weighted Assets	12,726.35
Market Risk-weighted Assets	447.55
Total Risk-weighted Assets	50,024.89
CAR (TQC / RWA)	32.57%

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 management is the accurate reading/close monitoring of economic forecast and market movement as basis for the immediate defensive action of the Management to protect the position of the Bank without sacrificing profitability.

Management of Operations Risk

Operational Risk Management Department operates on a "continuing basis," and its functions remain adequate and consistent with the BSP framework based on the standard set forth under BSP Circular 900.

Regular functions

- Issuance of guidelines to all business units on consistent and adequate process and controls to manage operational risks.
- Establishment of 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.

2023 Key Achievements/Initiatives

Risk Identification and Assessment

ORMD's risk assessment process was thorough and comprehensive, utilizing a variety of tools and techniques to identify and assess risk across all business units. These tools helped the Bank gain better understanding of the risk the Bank faces and develop risk mitigation plans that are effective and aligned with the Bank's objectives.

Business Units, in coordination with ORMD, started and completed their 2023 Risk and Control Self-Assessment (RCSA) in March 2023. After which, ORMD validated submitted RCSAs of the business units in accordance with the approved RCSA validation process. During the whole year of 2023, business units monitored their RCSAs and appended thereon if there were losses incurred attributable to a particular risk. Loss Event Report is continuously used in identifying, quantifying and controlling potential risks and near misses. These tools support business units to manage proactively their respective risks.

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

In addition, integrated risk identification and risk measurement on enterprise level was implemented wherein the BUs use the structured approach of the self-assessment RSCA, ISRA, Report on Crime and Losses.

Risk Mitigation

ORMD 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. ORMD closely tracked the compliance of the business units on all of the directives of the ROC and relative to the improvement of the existing controls, including ORMD's recommendations acknowledged by the business units for appropriate actions.

Risk Monitoring and Reporting

ORMD established a robust risk monitoring and reporting framework that enabled the Bank to track key risk indicators, monitor the effectiveness of risk mitigation plans and report the bank's operational risk profile to ROC and the Board of Directors. This framework helps to ensure that risks are identified and addressed in a timely manner, and that the bank is aware of any emerging risk that could impact the bank's objectives.

ORMD also monitored 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.

ORMD reported to ROC in January 2024 the results of the 2023 RCSA activity which reflects the performance of the business units in terms of managing their own operational risks.

Promotion of Risk Culture

ORMD continued to promote a strong risk culture across the Bank. Seminars and trainings were conducted on 9 November 2023 and 16 November 2023 with all Functional Risk Advocates (FRAs), who in turn, cascaded the knowledge to their respective team members.

The Bank achieved such strong risk culture through ensuring awareness of all employees through 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 December 2023, People Risk Management Framework was approved by the Boardwhich consist of four critical components: Recruitment and Retention Risk, People Development & Performance Risk, Health & Safety Risk and Succession Planning Risk. Crafting of people risk management framework aims to comply with BSP under Circular 1112 "Amendments to Operational Risk Management and Internal Control Measures."(Roel no need to disclose internal issues on labor)

Functional Risk Advocate's Performance Evaluation

To further boost operational risk management across the bank, ORMD started the performance evaluation for FRA based on the approved policy by the Board. FRA performs their day-to-day functions which include risk awareness and oversight of control effectiveness in their covered areas. FRAs'tasks, if performed well, contribute to the achievement of BMI's success in maintaining operational losses within the bank's risk appetite .

Business Continuity Management

At the beginning of Y2023, BCC approved the proposal of ORMD on the 2023 BCM program which consists of BCP activities to be implemented all throughout the year. Major activities were conducted and completed during the year, namely: roll-out of Business Impact Analysisand conduct of Bankwide Call Tree Exercise (two times), BCM Workshop, DR Testing (partial), Fire & Earthquake Drill and quarterly BCC meetings.

ORMD achieved significant milestones in 2023, contributing to the bank's overall success in managing operational risk. In Y2024, ORMD will continue to focus on strengthening ERM, promoting a strong risk culture and addressing emerging operational risks.

Operational Risk Exposures, as of December 31 , 2023

In Millions

NATURE OF ITEM	GROSS INCOME			AVERAGE 1/
	Year 3	Year 2	Last Year	
Annual Gross Income	8,090	8,744	8,619	8,484
Capital Charge (Average Gross Income multiply by Capital Charge Factor of 12%)				1,018
Adjusted Capital Charge (Capital charge multiply by 125%)				1,273
TOTAL OPERATIONAL RISK-WEIGHTED ASSETS (Adjusted Capital Charge multiply by 10)				12,726

As of 31 December 2023, BMI's ORWA stood at Php12.7B using the BSP CAR formula. For the same year, the actual operational loss of BMI was only Php3.299M.

Major Challenges

The current measurement of capital charge for operational using the BSP-mandated Basic Indicator Approach (BIA) , yield an amount significantly higher ORWA than the actual loss incurred by the Bank every year. The Bank may have utilized more of its resources and capital only if said measurement approach could be changed to a more advanced and applicable approach.

Management of IT Risk

Regular Functions of ITRM Section (ITRMS)

ITRMS is responsible for the identification, measurement, monitoring, and control of risks for IT business processes or IT service assets.

ITRMS, Information Technology Group (ITG), Information Security Department (ISD) and IT Audit Department (ITAD) collectively 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&Security Policy Manual
- IT Group Department Operational Manuals
- Internal Audit Group (IAG) Manual – IT Audit Department

2023 Key Initiatives/Accomplishments

The Bank's IT risk management system maintains its adherence to standards, continuously addressing the complexities associated with its IT operations.

Throughout 2023, the Bank has made significant steps in enhancing its IT risk management capabilities through several strategic initiatives and policy revisions:

Re-organization of IT Group

The 2023 IT Group reorganization streamlined structure, reduced redundancy and improved coordination by consolidating roles and creating departments for cybersecurity, network management, and software development, aligning IT resources with risk exposure areas.

Continuous Training

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

Increase Manpower Complement

To address the high manpower attrition among IT personnel, the Bank has sustained robust recruitment efforts and explored strategic IT outsourcing to enhance workforce capabilities, ensuring readiness and operational stability.

Enhancement of Project Management

The Bank has enhanced its project management framework to better manage risks associated with IT projects emphasizing the importance of a comprehensive planning, testing, execution and rigorous post-implementation reviews that help derive actionable insights for continuous improvement.

Disaster Recovery and Business Continuity

The Bank is continuously enhancing its disaster recovery strategies including shifting towards emerging technologies such as cloud infrastructure, significantly improving the ability to recover from disruptions and maintain continuous operations across various scenarios.

Enhancement of IT Risk Acceptance

Revision of the IT Risk Acceptance guidelines has introduced clearer risk acceptance criteria and detailed escalation procedures, ensuring that risks are systematically evaluated and managed.

Updating of Technology Service Provider Management

The updated Board-approved IT Vendor Management Policy, aligned with BSP Circular 1137, enhanced oversight and control over IT vendor engagements and significantly reduced risks from third-party vendors. Major changes include the integration of specific requirements on materiality assessment, the renaming of the policy to reflect its comprehensive scope, the introduction of detailed vendor due diligence criteria, and the addition of new templates and checklists in the annexes to aid in policy implementation.

Enhancement of IT Asset Management

The revised Board-approved IT Asset Management Policy of BMI has streamlined lifecycle management of IT assets, from acquisition to disposal and improved visibility of all Bank software and hardware assets. These revision resulted in enhanced efficiency and improved compliance with regulatory body.

On General IT Security

BMI has continued to reinforce its resistance against cyber threats with proactive measures to protect against malware and to enhance defenses against pharming and phishing attacks. Regular security awareness training ensures that our staff remains vigilant against emerging threats.

The Bank is enhancing its IT security through strategic initiatives such as vulnerability assessments and penetration testing, a planned Managed Security Operations Center, privileged ID management, and IT infrastructure upgrades that will augment existing network protection. These measures aim to identify and mitigate vulnerabilities across critical systems, enhance monitoring and threat detection capabilities, maintain control over privileged IDs, and ensure systems remain resilient and compliant with industry best practices.

The concerted efforts underscore BMI's commitment to maintain a robust and secure IT Risk framework. Moving forward, the Bank is well-equipped to adapt to the evolving cyber threat landscape, ensuring the security of its operations and the trust of its customers. IT & Infosec risk is managed through strategic improvements and adherence to updated policies, not only to mitigate current IT risks, but also proactively prepared to address future challenges.

Deployment of Malware

The Bank has deployed a sophisticated anti-malware solution that robustly protects its endpoints and application systems across diverse operating systems. This solution delivers multiple layers of defense, effectively reducing the risks associated with both internal and external threats. Additionally, the Bank has strengthened its malware defense infrastructure by incorporating advanced security technologies such as firewalls, network segmentation, and threat protection solutions.

In line with the proactive management of malware threats highlighted in 2023's accomplishments, the Bank continuously evaluates and updates its malware protection and security measures. These regular reviews and planned enhancements are crucial to maintaining a fortified defense against potential malware attacks.

Strengthening of defense against Pharming & Phishing

The Bank has significantly strengthened its defenses against phishing and pharming attempts in 2023. To strengthen its security safeguards against these kinds of criminal operations, BMI has continued monitoring internet-based systems and endpoints closely and install several security measures in accordance with legal requirements and industry best practices. These include encrypted communications, secure email authentication, website and content screening, and layered security controls such firewalls and intrusion detection systems. By protecting the Bank's email systems and its links to market and regulatory platforms, these safeguards provide complete protection for all digital platforms.

Major Challenges

The Bank is actively addressing several IT challenges by strengthening recruitment and training to address high attrition rates and updating IT frameworks to incorporate emerging technologies like cloud computing.

An essential part of this strategic update includes plans to upgrade the Bank's core banking systems. This upgrade is pivotal for the Bank's digital transformation, aiming to significantly enhance the customer experience by providing faster, more reliable, and secure banking services.

Another challenge is the continuous enhancement of the Disaster Recovery Plans to align with current technologies and regulatory requirements. The Bank also proactively updates its compliance measures to stay in line with evolving regulations.

Management of Information Security Risk

BMI is governed by Board-approved Information Security (IS) Framework which provides guidelines in maintaining the Confidentiality, Integrity, Availability and Accountability (CIAA) of the information assets to protect BMI's reputation and to comply with relevant regulations.

BMI IS Framework consists of vital components: Governance, Management and Cyber Threat Intelligence and Collaboration. The Bank's IS Governance specifies the role of the oversight body to ensure that risks are adequately mitigated, while Management ensures that IS policies and controls are implemented to mitigate risks. Finally, the Cyber Threat Intelligence and Collaboration component involve understanding of cyber threats, collaborating with related organizations and enhancing the Bank's existing processes to provide resilience vs. cyber-attack.

In action, the Bank is consistently updating (review, modify, implement) the IS policies and procedures to ensure that controls are in place, relevant and updated. Annually, the Bank conducts an enterprise-wide Information Security Risk Assessment (ISRA) to ensure that IS 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 (KRIs) to assess the overall risk profile of the Bank and provide corresponding mitigating controls.

2023 Key Initiatives/Accomplishments

- **Automation of the Information Security Risk Assessment (ISRA) Tool**

  ISD conducts an enterprise-wide assessment of InfoSec Management of all Business Units manually using Excel templates in the process. As a major initiative in 2023, ISD embarked on the automation of the ISRA tool developed by the department itself. The automated tool will facilitate the accomplishment of the ISRA template by Business Units, facilitate the ISD review and analysis of submitted responses as well as the consolidation for final reporting to Mancom and ROC.

- **Conduct of Vulnerability Assessment/Penetration Testing (VA/PT) by a third party**

  The Bank engaged the services of Exceture in September 2023, an independent party, to conduct VA/PT for the Bank. As of December 2023, the project was 56% completed and expected to be completed the following year.

BMI commits and ensure that information security risks are assessed and mitigated in all its existing and future undertakings to protect its customers and meet their satisfaction.

Management of Other Risks

Management of Environmental & Social Risk

As part of the Sustainable Finance initiatives of the Bank, the Environmental & Social Risk Management System (ESRMS) was jointly 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.

In addition to crafting the ESRMS policy and having the same approved by the Board, RMG take the lead in conducting ESRMS training for relevant units by preparing the power point materials which shall commence in early 2024.

Management of Legal Risk

RMG plays a vital role in the oversight of legal risk in the Bank. It collaborates with Legal Group and Business Units in identifying, assessing, controlling and monitoring of legal risks inherent in their processes, products and services being offered. Legal risk management process includes assessment of Bank's right and obligation in contractual relationship and assurance that all agreement/contract entered by the Bank complies with the legal and regulatory requirements. The assessment also covers customer complaints to determine Bank's legal risk exposure.

The Bank, through Legal Group, has been able to adopt a process which effectively manages outstanding legal cases. Such process includes periodic review of the status of the cases, assessment of the potential outcome, and periodic reporting to the ROC. Currently, Legal Group, in coordination with RMG, reports to the ROC on a semi-annual basis the status of outstanding legal cases of the Bank.

The draft Legal Risk Management Framework has been done and undergoing revision in compliance withMancom's directives. After approval by the Mancom, the same shall be presented to the Risk Management Committee for endorsement for the approval of the Board.

Management of Reputational Risk

- The Bank has established a Reputational Risk Management Framework which aims to help the Bank manage and understand the level of the it's reputational risk and comply with BSP Circular 1114 "Guidelines on Reputational Risk Management." Such framework includes various sources of reputational risks, risk indicators and thresholds approved by the Board. ORMD, in coordination with various business units, reports to the ROC every quarter the reputational risk management profile of the Bank.

- Aligned with ORMD's efforts, the Customer Experience Management Department (CEMD) ensures that the Bank's reputation would not be compromised as CEMD timely handles Customers' requests, queries, and complaints. Service Level Agreements (SLAs) among the business and support units were established to ascertain efficient assistance and effective resolution.

  Requests are endorsed and catered to same day, while complaints are reported and encoded by the appointed Consumer Assistance Officer in the Consumer Assistance Management System (CAMS) within 24 hours or as the complaint arises. Consequently, the concerned Business Unit is notified and tasked to handle such complaint within the agreed time frame, as stated in the SLA.

Reported cases can either be simple or complex depending on the nature of the Client's complaint. If the complaint requires further investigation, an interim reply is sent to the Client indicating the reasons, the time frame, and expected date of action/response. Once the investigation is completed, the complainant is informed of the outcome and options of redress (if relevant or applicable). Consolidated report of complaints related to reputational risk is presented to ROC quarterly.

The process flow of handling Client's complaints is shown below:

AUDIT AND COMPLIANCE COMMITTEE

Shirley M. Sangalang
Chairperson

Empowered by the Board to oversee the financial reporting process, internal control and risk management systems, internal and external audit functions, and compliance with applicable laws and regulations. It is composed of three qualified independent Directors.

Their oversight function covers the following areas:

- On financial reporting, the Committee reviews the integrity of the reporting process to ensure the accuracy and reliability of financial statements and compliance with financial reporting standards.

- On internal control and risk management, it monitors and evaluates the adequacy, soundness and effectiveness of the Bank's established internal control and risk management systems, policies and procedures including implementation across all units of the Bank to provide reasonable assurance against fraud or other irregularities and material misstatement or loss.

- On internal and external audit, it recommends the appointment, reappointment, and removal of the internal and external auditors, remuneration, approval of terms of audit engagement and payment of fees. It reviews non-audit work of external auditors, if any, ensuring that it would not conflict with their duties or may pose a threat to their independence. It approves the annual audit plan and reviews audit results focusing on significant findings with financial impact and its resolution. It monitors, tracks and reviews the implementation of corrective actions to address deficiencies, non-compliance with policies, laws and regulations. Annually, it evaluates the performance of the Chief Audit Executive.

- On compliance, it recommends the approval of the Compliance Charter and reviews annually the performance of the Chief Compliance Officer. It also reviews the annual plans of the Compliance Group including the Anti-Money Laundering Department (AMLD), and evaluates the effectiveness of the regulatory compliance framework of the Bank to ensure that these are consistently applied and observed throughout the institution. It reviews the report of examination of the Bangko Sentral ng Pilipinas and other regulators including replies to such reports for endorsement to the Board for approval.

In this context, the following were done during the year when it met twenty-seven (27) times, four (4) of which were special meetings:

- On financial reporting, the Audit and Compliance Committee (ACC) reviewed and recommended for approval to the Board the Bank's annual audited financial statements ensuring compliance with accounting standards and tax regulations. The related internal controls on financial reporting process and compliance with accounting standards were likewise reviewed.

- In overseeing the internal audit function, it reviewed and approved the 2023 Internal Audit risk-based audit plans after a thorough review of its scope, as well as changes to the plan, audit methodology, budget, manpower resources and the appointments assignments of key audit officers during the period.

- It reviewed audit reports focusing on high and moderate risk findings relating to operational, financial and compliance controls including risk assessment systems with impact to financial, reputation and information security. It regularly tracked the timely resolution of findings and asked for Management's action plans that needed to be addressed. It also ensured that Internal Audit worked closely in coordination with Risk Management, Compliance, AML and Corporate Governance by giving directives to share relevant information.

- It approved the revisions, updating of the Audit Manual, policies and procedures as well as changes to the audit program guide on the following dates:

ACC Approvals	Date of Approval
Amendments to the ACC Terms of Reference	February 17, 2023
Revised IAG Charter	
Amendments to the Internal Audit Group (IAG Manual)	May 19, 2023
Audit Program Guides	July 21, 2023
• Application Audit	
• Post-Implementation Review	
• Regular Audit of Systems Development Life Cycle	
• Checklists for Control Environment and Risk Assessment	
Audit Program Guides:	October 20, 2023
• Review of the Bank's Environmental and Social Risk Management Systems (ESRMS)	
• Validation of Market and Liquidity Risk Models	

- It also assessed the performance of the Chief Audit Executive. It ensured that Internal Audit's independence had unrestricted access to all records, properties and information to be able to fully carry out its function. The Committee regularly reviews internal audit's manpower resources and is satisfied that it has adequate resources to perform its function effectively.

- On external audit, it reviewed and approved the 2023 Audit Plans of the external auditor to ensure the adequacy of its scope and coverage and appropriateness of the timelines. It reviewed and discussed the content of the engagement, scope of work, composition of engagement team among others, prior to the commencement of the non-audit work. It comprehensively discussed the external audit reports, focusing on internal controls, risk management, governance and matters with financial impact particularly on the changes in accounting and reporting standards. It reviewed the Management Letter as well as Management's response and action taken on the external auditor's findings and recommendations.

- In overseeing the compliance function, it reviewed and approved the revisions to the Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual, annual compliance plans, and independent compliance testing roadmaps of the Compliance and Anti-Money Laundering (AML) departments. The Bank's MTPP was revised particularly on the guidelines covering Know Your Customer (KYC), Profiling of Customers, Reportorial Requirements and Targeted Financial Sanctions. The Compliance Policies and Operations Manual was also revised to enhance the Compliance Risk Rating. It monitored the progress and reviewed the status of the annual compliance plans, results of the independent compliance and AML testing, timely submission of regulatory and prudential reports, compliance to mandatory ratios, as well as continuous improvement of the compliance and AML testing, timely submission of regulatory and prudential reports, compliance to mandatory ratios, as well as continuous improvement of the compliance and AML systems. It conducted the annual appraisal of the performance of the Chief Compliance Officer for 2023. It discussed in detail the Bangko Sentral ng Pilipinas results of regulatory examination and reviewed Management's replies, monitored monthly updates to ensure implementation of corrective actions. On July 28, 2022, it endorsed for Board approval the Bank's Money Laundering/ Terrorism Financing Institutional Risk Assessment (IRA) with coverage as of December 2020. The result of the assessment was presented to the Board of Directors on August 9, 2022 with overall rating of Low. The following were approved by the ACC.

ACC Approvals	Date of Approval
2023 AML Training Program	June 20, 2023
Revisions on the Compliance Policies and Operations Manual - Section V – Compliance Risk Rating	June 20, 2023
Compliance Testing Questionnaires – For BSP Circular Nos. 1085 Sustainable Finance Framework and 1128 Environmental and Social Risk Management Framework	September 19, 2023
Proposed Amendments to the Bank's Money Laundering & Terrorists Financing Prevention Program (MTPP) – based on annual review	October 17, 2023
Proposed Amendments to the Bank's Money Laundering & Terrorist Financing Prevention Program (MTPP) – to update based on new regulatory issuances	November 21, 2023

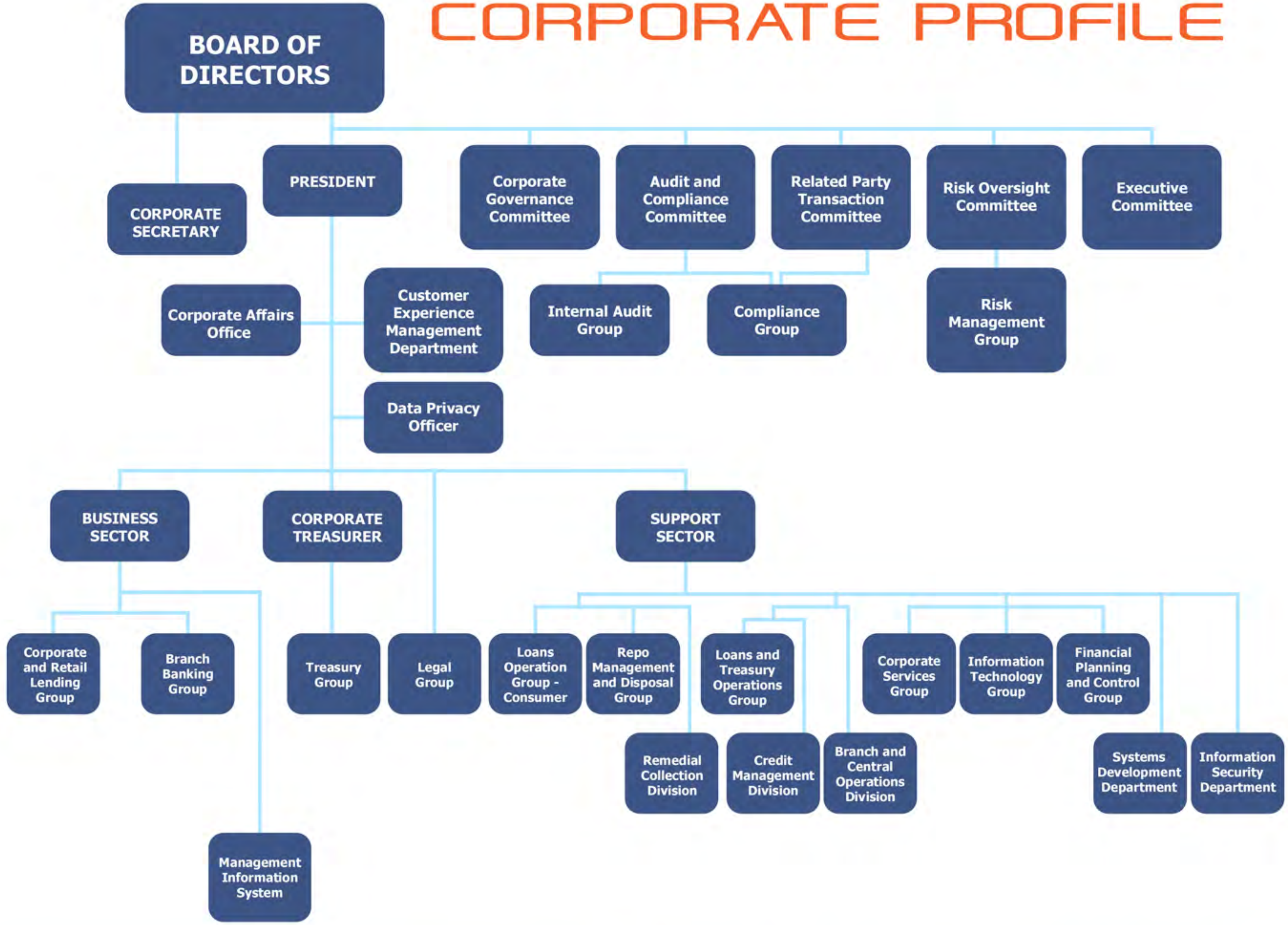
- In its oversight of internal control and risk management systems, the Committee practiced enterprise risk management by closely working, coordinating and sharing relevant information among the Internal Audit, Compliance, Corporate Governance, Related Party, and Risk Oversight Committees. It monitored IT related projects, in particular compliance with mandatory reporting standards, internal control measures and improvements in the IT security management. It closely worked with the Corporate Governance Committee, relative to the Bank's practices on professional ethics in its conduct of business and among its officers and staffs.

- Reports on cases in operations, whistleblower accounts as well as non-loan related cases with impact to financials, internal controls, information systems and reputation were deliberated on -focusing on risk assessment, legal handling, and fraud prevention. Review and deliberations were done in coordination with Risk and Compliance and Corporate Governance Committees.

- As part of its commitment to excellent corporate governance, the Committee conducted a self-assessment for its 2023 performance based on its Terms of Reference. The ACC likewise evaluated the performance of Internal Audit, Compliance and AML departments to ensure their effectiveness and achievement of their objectives

The Audit and Compliance Committee (ACC) reports its evaluation of the effectiveness of the internal controls, financial reporting process, risk management systems of the Bank, based on the report and unqualified opinion obtained from the External Auditor, the overall assurance provided by the Chief Audit Executive, and the results of its close working coordination among the different committees: Risk Oversight Committee, Corporate Governance, Related Party Committees, additional reports and information requested from Senior Management, and found these to be generally adequate across Bank of Makati .

CORPORATE PROFILE



BOARD OF DIRECTORS

Thomas C. Ongtenco

Age	67
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	Oct 1, 2001
Directorship in other Companies	Director • Transnational Properties, Inc. • Broadvue Traders, Inc. • Monacor, Inc. • Motorjoy Depot Inc. • Veradex Development Corporation • Clearminds Holdings Inc. Chairman of the Board • Haodeng Holdings, Inc. • Motortrade Nationwide Corporation • Motortrade Topline Inc. • BMI Finance Corporation
Other Current Position	President • Broadvue Traders, Inc. • Monacor, Inc. • Haodeng Holdings, Inc. • Motorjoy Depot, Inc. • BMI Finance Corporation • Clearminds Holdings Inc. Corporate Secretary • Transnational Properties, Inc. • OSM Citycars, Inc
Previous Company Positions	Director • Motortrade Nationwide Corp. • Intertrust Finance Corp. • Oiltech Resources, Inc. • Intertrade Credit Corp. Treasurer • Intertrust Finance Corp.

Luis M. Chua

Age	53
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 • AMV College of Accountancy
Previous Company Positions	Faculty Member • UST-Faculty of Arts and Letters • St. Paul College of Manila Audit In Charge • SGV & CO., CPAs Manager • Diners Card Corporation • 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	67
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 • Veradex Development Corporation Chairman of the Board • Honda Prestige Traders Inc. • Motorjoy Depot Inc. • Northpoint Development Bank • OSM City Cars • Sentai Holdings Inc • MOS Autosolutions Inc. • Aisen Prime Holdings Inc. • Transnational Properties, Inc. • Tanglaw ng Buhay Foundation • Uplift Cares Movement Foundation Inc. Vice Chairman • CCF Life Academy Trustee • Christ Commission Foundation Inc.
Other Current Positions	President • Honda Prestige Traders Inc. • Veradex Development Corporation • Uplift Cares Movement Foundation Inc. Vice President • Christ Commission Foundation Inc. Corporate Treasurer • The Masters Academy
Previous Company Positions	Trustee & Treasurer/ Trustee and Vice President • Christ Commission Foundation Inc. • CCF Ministries Inc. President • Uplift Movement Foundation Inc. • 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	54
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 • Motortrade Topline Inc. • Honda Prestige Traders, Inc. • Transnational Properties, Inc. Chairman of the Board • Ventusi Holdings Corp.
Other Current Positions	Vice President • Veradex Development Corporation • Honda Prestige Traders, Inc. President • Motortrade Topline Inc. • Transnational Properties, Inc. Business Development Head • Motortrade Nationwide Corporation
Previous Company Positions	Executive Vice President • Transnational Properties, Inc. Director • Northpoint Development Bank, Inc.

Shirley M. Sangalang

Age	64
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 • Lipa Bank Board of Trustee • University of Asia & The Pacific
Other Current Position	None
Previous Company Positions	Senior Vice President • BDO Unibank Inc. Budget & System Officers • Summa International Bank Auditor • SGV Director • Mary Mediatrix Medical Center

Sofia C. Ladores

Age	69
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	58
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	Philippine National Bank • Chief Audit Executive, Vice President/Deputy CAE/ IT Audit Head, Senior Assistant Vice President, Assistant Vice President Allied Banking Corporation • Assistant Vice President • Senior Manager Manager, Senior Assistant Manager, Assistant Manager • Business Continuity Coordinator • Accountant, Assistant Accountant • Senior EDP Auditor, Semi-Senior EDP Auditor, Semi-Senior Financial Auditor, Junior Financial Auditor Bancnet, Inc. • Audit Committee Member

Atty. Generosa R. Jacinto / Corporate Secretary

EXECUTIVE OFFICERS AND SENIOR MANAGEMENT

Shirley O. Tan

Age	60
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	64
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 Accotning Clerk (1982 - 1983), PCIB • Settling Clerk/Distributing Clerk (1981 - 1982), PCIB

Rowell A. Umali

Age	39
Nationality	Filipino
Education	Bachelor of Science in Accountancy, Polytechnic University of the Philippines
Current position in the Bank	First 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)

[1]Rosa Maria G. Tumangday

Age	60
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	41
Nationality	Filipino
Education	Bachelor of Science in Accountancy, Ateneo de Naga University
Current position in the Bank	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)

[1]Ms. Rosa Maria Tumangday retired as Chief Audit Executive of Bank of Makati (A Savings Bank), Inc. on March 11, 2024.

Teresita E. Cheng

Age	73
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	42
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	First 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	63
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)

Angelito C. Chua

Age	49
Nationality	Filipino
Education	Bachelor of Science in Clinical Psychology, Polytechnic University of the Philippines - Manila
Current position in the Bank	First Vice President, Head – Corporate Services Group and Concurrent Human Resources Department Head (since 2010)
Current Position in other Company	None

Relevant Experiences

- Head – Human Resources Dept, Bank of Makati (Aug 2010 - Dec 2012)
- Acting Head – Corporate Services Group, Bank of Makati (Dec 2012 - Sept 2013)
- 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)

Marife N. Rudio

Age	51
Nationality	Filipino
Education	Bachelor of Science in Math Major in Actuarial Science, University of Santo Tomas Master of Business Administration (Completed Academic Units), University of Santo Tomas Master of Business Administration (On-going), Pamantasan ng Lungsod ng Maynila
Current position in the Bank	First Vice President, Credit Management Division Head
Current Position in other Company	None

Relevant Experiences

- Credit Evaluation Department Head, Philtrust Bank (Oct 2021 - March 2023)
- Sterling Bank of Asia
  - Remedial Management Head (May 2021 - Sept 2023)
  - Credit Evaluation & Approval Department Head (Nov 2018 - May 2021)
  - Credit Risk & Control Department Head (Jan 2016 - Nov 2018)
- Senior Relationship Manager, Philippine National Bank (March 2015 - January 2016)
- Senior Relationship Manager, Philippine Bank of Communication (July 2013 - Feb 2015)
- Senior Relationship Manager, BDO Unibank Inc (Aug 2010 - June 2013)
- Senior Remedial Account Officer, BDO Unibank Inc (April 2016 - August 2010)
- Unit Head - AMD 3, Asiatrust Bank (Dec 2004 - Feb 2006)
- Rizal Commercial Banking Corporation (RCBC)
  - Relationship Manager (Dec 2001 - Nov 2004)
  - Senior Personal Banker (Oct 2000 - Dec 2001)
  - Remedial Account Officer (Jan 1999 - Oct 2000)
  - Senior Marketing Asst (Apr 1998 - Jan 1999)
  - Branch Officer at Large (Feb 1998 - March 1998)
  - Management Trainee ((May 1997 - Feb 1998)
  - Credit review Asst (May 1995 - Apr 1997)
  - Risk Asset Monitoring Asst (Feb 1994 - Apr 1995)
- Marketing Assistant, Phoenix Biotech Med Res Inc. (Aug 1992 – Feb 1994)
- Office Secretary, UDMC (June 1992 – July 1992)

Jo D. Borromeo

Age	58
Nationality	Filipino
Education	Bachelor of Science in Civil Engineering, Central Philippine University
Current position in the Bank	Vice President, Head - Remedial 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)

Sean Ivan Vernier W. Valentin

Age	57
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	48
Nationality	Filipino
Education	Bachelor of Science in Mass Communication, Pamantasan ng Lungsod ng Maynila
Current position in the Bank	Vice President, Head - Loans Operations Group (Consumer)
Current Position in other Company	None

Relevant Experiences

Bank of Makati

- Senior Assistant Vice President, Head - Loans Operations Group (Consumer) (September 2019 – September 2020)
- Assistant Vice President, Head – Loans Operations Group (Consumer) (April 2014 – August 2019)
- Department Head – Lending Center Department (Concurrent) (May 2011 - August 2015)
- System Officer (June 2008 – April 2011)

Rizal Commercial Banking Corporation

- New Accounts Processor (1996 - 1999)
- Remittance Processor (1999 - 2000) and
- Operations Analyst (2000 - 2008)

Mario M. De Guia

Age	53
Nationality	Filipino
Education	Bachelor of Science in Mathematics, UP Diliman
Current position in the Bank	Vice President, Head - Information Technology Group
Current Position in other Company	None

Relevant Experiences

- Business Application Support System Head, Bank of Makati (A Savings Bank), Inc. (Jan 2006 – Feb 2013)
- IT Consultant, Traxion Tech Inc (Jan 2021 - Sept 2022)
- Country Rep, Loraxian (PH) Inc (April 2017 - Dec 2020)
- IT Director, Guevent Investment Development Corporation (Marc h 2013 - Feb 2017)
- Assistant Vice President, Chinatrust Commercial Bank (Oct 2003 - Dec 2005)
- Senior Manager, Rizal Commercial Banking Corp (March 2001 - Sep 2003)
- Manager, Bank of the Philippine Island (Feb 1996 - Dec 2000)
- Instructor, De La Salle University (May 1991 - Dec 1995)

The Management Committee

Department	Name	Position
Office Of The President	Diosdado M. Suba	Corporate Affairs Office Head
	Jewel Therese G. De Veyra	Customer Experience Management Department Head
	Atty. Ana Kathrina Rose De Castro	Data Protection Officer
Treasury Group	Shirley O. Tan	Corporate Treasurer
	Alda R. Banez	Treasury Group Head
	Danilo Dominguez	Treasury Marketing Department Head
	Diana C. Ng	Fund Management Department Head
	Melani C. Pisiao	Treasury Trading 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
Internal Audit Group	Rosa Maria G. Tumangday	Chief Audit Executive / Group Head
	Gabriel Z. Punsalan	IT Audit Department Head
	Homer Ben T. Hermosura	Head Office Audit Acting Department Head
	James Kenneth V. Llauderes	Field Audit Department Head
	Katrina D. Ancheta	Quality Assurance Audit Department Head
Compliance Group	Irish Janne B. Escio	Chief Compliance Officer / Group Head
	---	Regulatory Compliance Department Head
	Caroline F. Lacanienta	Anti-Money Laundering Department Head
Risk Management Group	Teresita E. Cheng	Chief Risk Officer / Group Head
	Ruelito L. Motas	Operational Risk Management Department Head
	Roelito G. Venturina	Credit Risk Management Department Head
	Marcial A. Bongolan	Market and Liquidity Risk Management Consultant
Business Sector		
Corporate & Retail Lending Group	Ana Maria L. Paras	Commercial Business Lending Division (CBLD)
	Yllona Jane E. Magno	CBLD Area 1 North Head
	Jessica Angela A. Naquimen	CBLD Area 2 NCR Head
	Edwin I. Maghirang	CBLD 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	Alvin P. Del Ponso	South Luzon Area Head
	Danilo O. Gayeta Jr.	Batangas Branch Head
	Maria Lanlet C. Arzola	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
	Jeraldin D. Carlos	Legazpi Branch Head
	Celeste B. Carig	Lipa Branch Head
	Sherry Lyn B. Maranan	Lucena Branch Head
	Dominador James V. Caluen	Muntinlupa Branch Head
	Edmundo Jose A. Lirag	Naga Branch Head
	Gil Bryan M. Chiang	Palawan Branch Head
	Aloha A. Mangunay	San Pablo Branch Head
	Jeddah Cindy A. Jasmin	Zapote Branch Head
Area 2	Angelo Michael C. Plata	North Luzon Area Head
	---	Bantay Branch Head
	Celeste L. Del Rosario	Bataan Branch Head
	Michael D. Serafica	Cabanatuan Branch Head
	Gina C. Zareno	Dagupan Branch Head
	---	La Union Branch Head
	---	Laoag Branch Head
	Robin M. Dungo	Pampanga Branch Head
	Randy U. Valiente	Santiago Branch Head
	---	Tarlac Branch Head
	Maria Victoria E. Lim	Tuguegarao Branch Head
	Sheryl M. Verdeflor	Urdaneta 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
	---	Cebu Branch Head
	Azineth C. Panga	Davao Branch Head
	---	General Santos Branch Head
	Chloe C. David	Iloilo Branch Head
	---	Pagadian Branch Head

	---	Tacloban Branch Head
	---	Tagum Branch Head
	Michael C. Paloma	Valencia Branch Head
	Luis M. Navarro	Zamboanga Branch Head
Area 4	Giovanni Roel Trocio	Metro Manila Area Head
	Baby Boy O. Presado	Antipolo Branch Head
	---	Caloocan Branch Head
	Jefferson P. Dumandan II	Ayala-Main Branch Head
	---	Marikina Branch Head
	Monica Bianca M. Adolfo	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
	---	Malolos Branch Head
	---	Meycauayan Branch Head
	Dianne Louie F. Madamba	Valenzuela Branch Head
Area 5	Charlie V. Mendoza	MicroFinance Branch Area Head
	Camille O. Mercolita	Buendia Branch Head
	May Ann H. Dimaapi	Commonwealth Branch Head
	---	Kalentong Branch Head
	Kirby V. Canullas	Greenhills Branch Head
	Henery Ann I. Estorninos	Camarin Branch Head
	---	Baclaran Branch Head
	Violeta V. Mojica	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. Manglallan	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 Department Head
	Darius V. Albarina	Repo Management And Disposal Department Head
	Warren B. Concepcion	CRLG Remedial 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 Operations Group	Sean Ivan Vernier W. Valentin	Loans and Treasury Operations Group Head
	Fermilette D. Gutierrez	Loan Operations Department 2 Head
	Kathryn Joy G. Bautista	Institutional Borrowing Department Head
Credit Management Division	Marife N. Rudio	Credit Management Division Head
	Imelda R. Dela Cruz	Consumer Credit 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 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
	Felomena P. Belista-Leabres	Organizational and People Development Department Head

Information Technology Group	Mario M. De Guia	Information Technology Group Head
	Artemio B. Calderon	Business Application Systems Support Division Head
	Adrian S. Danes	IT Infrastructure Division Head
	Alex S. Opida	Data Center Operations Department Head
	Sarah M. Cayabyab	Business Application Systems Support Department Head
	Ross Ann F. Castro	Desktop, Network, and Access Department Head
	Jasper L. Tan	Systems Admin Department Head
	Christian J. Alfonso	Deposits and Digital Banking Acting Department Head
	Vanessa N. Soriente	Loan Systems Acting Department Head
Financial Planning & Control Group	Rowell A. Umali	Chief Financial Officer / 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 U. Glinoga	Loans Treasury and Accounting Department Head
Systems Development Department	Jennifer L. Suico	Systems Development Department Head
Information Security Department	Ma. Melyn B. Ramos	Information Security Department Head

SUSTAINABILITY REPORT

ABOUT THE REPORT

This is the inaugural Sustainability Report of Bank of Makati (A Savings Bank), Inc. (BMI or “the Bank”), marking our transition to Sustainable Finance—a pursuit to continue providing inclusive and reliable financial products and services while adopting more environmentally conscious operating initiatives.

This report outlines the Bank’s economic, environmental, social, and governance performance within 2023 including the transition and initiatives aimed at contributing to the United Nations Sustainable Development Goals (SDGs). It has been prepared with reference to recognized sustainability reporting standards and focuses on issues that are most material to the bank. Additionally, it complies with the disclosure mandates of the Bangko Sentral ng Pilipinas (BSP) and refers to the Securities and Exchange Commission (SEC) disclosure requirement as a guide.

BMI’S RESOLVE TOWARDS SUSTAINABILITY

Our dedication to sustainability is deeply ingrained in our organizational ethos, reflected in our guiding principle, "Diretso. Asenso." This motto resonates with our diverse clientele, which includes micro, small, and medium entrepreneurs (mSMEs), hardworking professionals, conscientious consumers, nurturing parents, and the average Filipino people. Each of these individuals has ambitions for financial security, business growth, or personal fulfillment, yet many confront obstacles stemming from socioeconomic disparities.

Through ***"Diretso. Asenso."*** and our enduring commitment to ***"Malalapitan, Maaasahang Kaibigan,"*** BMI offers a way for clients to realize their aspirations through inclusive and transparent banking solutions. As we embark on our journey towards sustainable banking, we recognize the imperative to integrate environmental, social, and governance (ESG) principles into our business practices. Embracing the ideals of being ***Makatao and Makakalikasan***, we seek not only to drive positive impact within our communities but also to foster resilience and innovation in the face of global and environmental challenges.

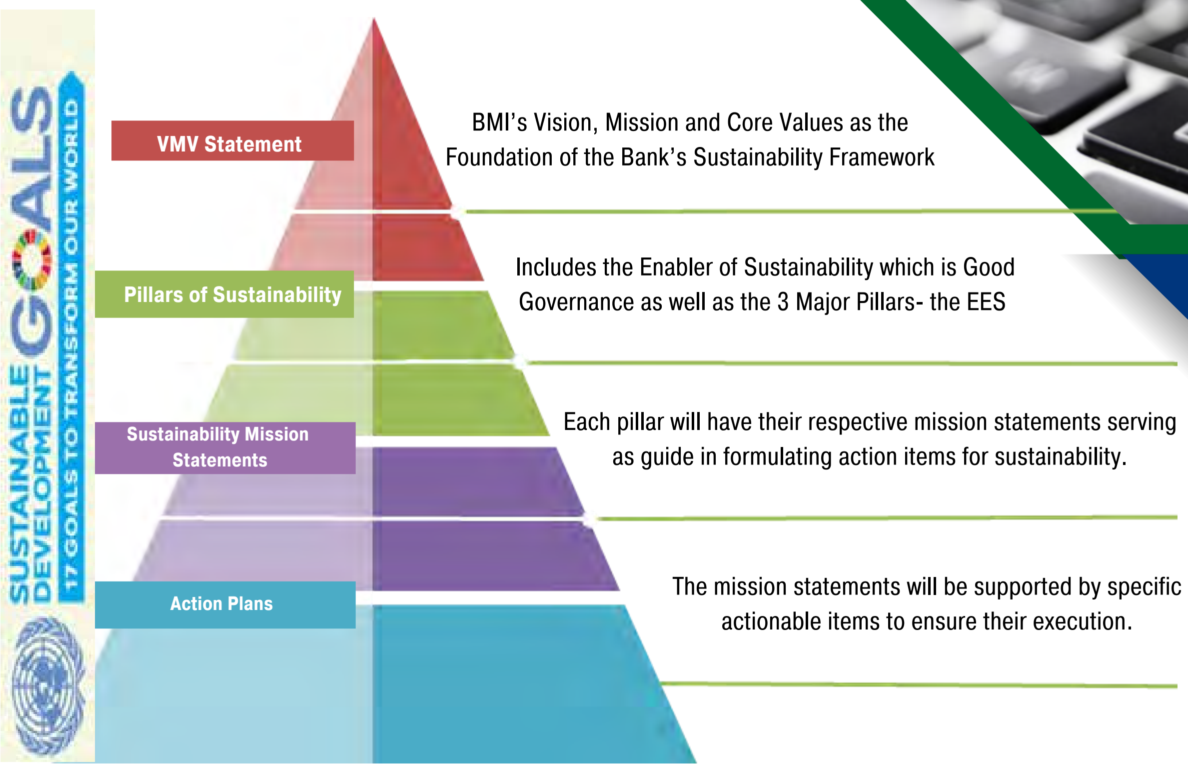
SUSTAINABILITY ROADMAP

The BSP issued Circular No. 1085 - Sustainable Finance Framework in 2020, and Circular No. 1128 - Environmental and Social Risk Management Framework the year after. Other BSP guidelines have also been issued, including Circular No. 1149 - Sustainability Principles in Investment Activities of Banks, and Memorandum No. M-2022-042 - Guidance on the Implementation of the Environmental and Social Risk Management (ESRM) System.

The objective of the circulars is to provide guidance to Banks in transitioning towards Sustainable Finance and integrate sustainability principles, including those covering environmental and social (E&S) risk areas, in the corporate governance and risk management frameworks as well as in the strategic objectives and operations of banks.

In accordance with these regulatory mandates, our Board of Directors approved the BMI Sustainability Framework in February 2021. This governs how to manage E&S risks as the bank is creating and maximizing the value of the stakeholders. This framework is in reference with the relevant BSP Circulars as well as globally recognized sustainability reporting standards. It underscores BMI's commitment to assessing and addressing Economic, Environmental, and Social (EES) impacts while upholding robust governance standards.

Graphically, the BMI Sustainability Framework is presented as follows:



A. THE GENERAL SUSTAINABILITY MODEL/FRAMEWORK:

"Our sustainability reporting focuses on our Economic, Environmental and Social (EES) impacts with the aid of good Governance. The EES shall be linked towards our Sustainability Goals and Objectives which shall be partially coming from our official Mission statement to be supported by actionable items. Lastly, the UN Sustainable Development Goals (SDG) shall serve as a guide in generating those plans to manifest the Bank's support to these SDGs."

B. THE SUSTAINABILITY MISSION STATEMENTS:

Economic Pillar - BMI's impact on the economic conditions of its stakeholders and on economic systems at local, national and global levels. It does not focus only on the financial condition of the Bank.

- *We value our role in economic development and our contribution to social progress.*
- *We are dedicated to the continuing growth of the Bank.*
- *We aim to provide our shareholders optimum returns on their investments.*

Environmental Pillar - BMI's impact on living and non-living natural systems, including land, air, water and ecosystems.

- *We value our role in environmental protection and we intend to be compliant to government standards on environment and waste management.*
- *We are committed to continuously improve our operations to promote the efficient management and utilization of resources.*
- *We aim to contribute to the protection of the planet by introducing innovative products and services and engaging into activities aimed at helping in the preservation and protection of the environment.*

Social Pillar - BMI's internal and external impact/s on the social systems within which it operates

- *We exist to help more people attain better financial security.*
- *We are committed to the well-being of our employees and to providing them a work-life balance environment.*
- *We are dedicated to give back to the community and respect our responsibility as a corporate citizen.*

SUSTAINABILITY GOVERNANCE

The Board of Directors assumes ultimate responsibility for overseeing BMI's sustainability initiatives, ensuring their integration into the organization's overarching strategy and objectives.

At the operational level, the Sustainability Initiative Core Team is tasked with implementing and monitoring the Bank's sustainability practices. Comprising of representatives from key departments, this team drives the execution of approved sustainability initiatives and monitors their performance.

The Business and Oversight Units shall ensure that policies and procedures align with the ESRMS.

Business Units are expected to promote the Bank's sustainable products and services, and engage with clients and borrowers involved in sustainable activities. All operating units shall likewise evaluate the environmental and social impacts of their operations and implement relevant policies to align with the Bank's sustainability framework.

Meanwhile, oversight units which include the Risk Management, Compliance and Internal Audit teams, shall ensure that E&S risks are properly monitored, assessed and mitigated.

SUSTAINABILITY STRATEGY

Our Sustainability Strategy is to support BMI's vision and mission to be a leading thrift bank that fuels the growth of aspiring and existing mSMEs, as well as advocates for the financial inclusion of the ordinary and unbanked Filipinos, by offering simple, convenient, and transparent financial products and services in order to pursue consistent growth and profitability while supporting sustainability.

Guided by our core values of Integrity, Concern, Teamwork, and Excellence, the Bank remains steadfast in its commitment to responsible business practices that not only prioritize financial viability but also contribute to societal well-being and environmental stewardship.

At BMI, we recognize our pivotal role in advancing sustainable development. We are committed not only to responsibly managing the impact of our operations but also to making responsible decisions in lending, investing, and the services we offer. Our approach is grounded in our guiding principle on sustainability,

'Malalapitan, Maaasahan, Makatao at Makakalikasang Kaibigan,'

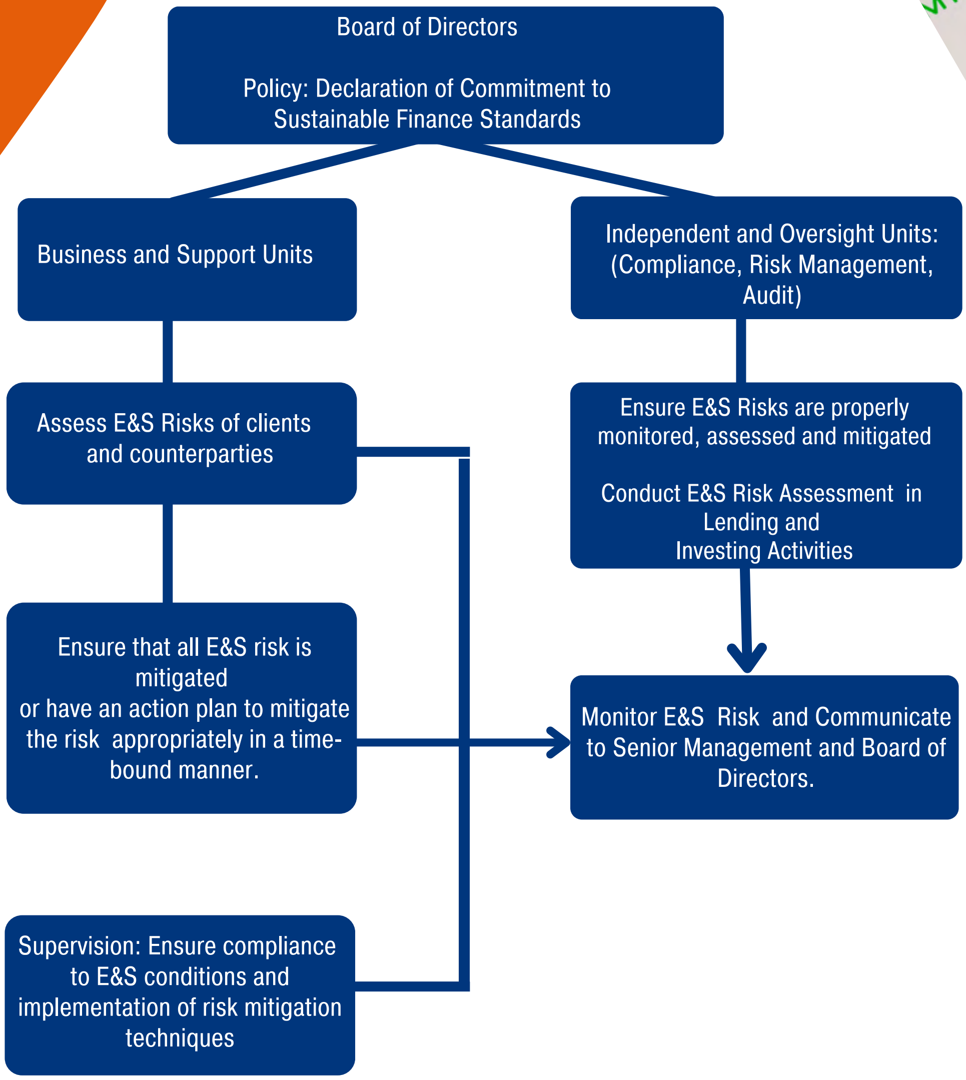
through which we progressively integrate sustainability principles into our practices.

MANAGING OUR ENVIRONMENTAL AND SOCIAL RISKS

In May 2023, the Board approved the Sustainable Finance Framework's supplement, the Environmental and Social Risk Management (ESRM) Policy Manual. It provides the guidelines for addressing environmental and social risks in the Bank's operations and credit business. The ESRM system primarily aims to:

1. Establish and implement the Bank's Programs and Policies that promote Sustainable Finance.
2. Identify, assess, monitor, mitigate and report to the Board environmental & social risk exposures of the Bank in accordance with ESRMS guidelines.
3. Incorporate E&S risk considerations into financing and investment activities
4. Develop and enhance sustainable finance products and services that advocate environmental, social and governance which supports green finance activities and adaptation projects.
5. Communicate the Bank's sustainability agenda across the organization.
6. Regularly assess the Bank's sustainability standards, principles and best practices.

The above framework is thus converted into the ESRMS document that will guide the Bank in its implementation of sustainability policies. Below diagram summarizes the contents of the ESRMS.



RISK APPETITE

As we strive to achieve our sustainability goals, we recognize the presence of environmental and social (E&S) risks that could hinder us to achieve our sustainability objectives. To address this, BMI adopts a conservative approach with a low-risk appetite for financing projects with adverse environmental and social impacts.

This will ensure sustainability of operations of clients thereby assuring their paying capacity and the Bank shall be able to recoup its investments, as well as see to it that the Bank is not a party to any activity that contributes to the degradation and deterioration of the environment.

ECONOMIC IMPACT

Maaasahan, Malalapitan....

This commitment to being ***"Maaasahan, Malalapitan"*** underscores our dedication to building trust and ensuring accessibility, both of which are crucial to economic growth. By embodying "Maaasahan," we provide consistent support and financial services, fostering a sense of security among our clients. Meanwhile, being "Malalapitan" ensures that financial resources and guidance are accessible to all, particularly underserved communities. This inclusivity drives financial empowerment, enabling individuals and small businesses to thrive. Consequently, our steadfast commitment to these values not only strengthens customer relationships but also significantly contributes to economic development and resilience, showcasing the broader societal benefits of our operations.

ECONOMIC PERFORMANCE

Metrics	2023	2022
Economic Value Generated	**9,064.15**	9,145.57
Economic Value Distributed		
Operating Costs	**1,695.60**	1,701.94
Employee Wages and Benefits	**738.38**	717.41
Payments to Governments	**1,911.69**	1,822.48
Payments to Providers of Capital	**2,500.00**	2,000.00

in Php million

Our robust financial performance not only drives our long-term growth objectives but also facilitates the creation of sustainable value for our stakeholders. In 2023, we distributed P 6.845 billion, equivalent to 76% of the wealth generated, to benefit the communities and individuals we serve.

PRODUCT AND SERVICES

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

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

PORTFOLIO DISTRIBUTION PER INDUSTRY/SECTOR

The following table provides a detailed breakdown of our portfolio distribution by industry or sector. This transparency underscores our commitment to sound financial management, sustainability, and confidence in the diverse sectors that our economy forward.

	2023			2022		
	Cash and Cash Equivalents	Receivables from Customers	Investment Securities	Cash and Cash Equivalents	Receivables from Customers	Investment Securities
in Php millions						
Concentration by sector:						
Financial and insurance activities	₱ 5,755	₱ 589	₱ 9,035	₱ 4,830	₱ 538	₱ 8,703
Consumption	0	21,949	403	0	22,644	406
Wholesale and retail trade	0	3,294	0	0	2,991	0
Real estate activities	0	2,076	1,027	0	2,071	1,029
Manufacturing	0	1,073	0	0	1,035	0
Electricity, gas and water and communication	0	932	43	0	852	43
Construction	0	851	0	0	845	0
Agriculture, hunting and forestry	0	852	0	0	797	0
Transportation, storage	0	966	0	0	619	0
Accommodation and food service	0	906	0	0	464	0
Human health and social service activities	0	351	0	0	339	0
Other community, social and personal services	0	214	0	0	248	0
Education	0	19	0	0	22	0
Administrative and support and personal services	0	70	0	0	20	0
Private household	0	11	0	0	11	0
	₱ 5,755	**₱ 4,151**	**₱ 10,507**	**₱ 4,830**	**₱ 33,496**	**₱ 10,181**

The ESRMS has established an exclusion list, identifying industries that BMI will not finance. Additionally, the ESRMS aims to classify industries into various risk levels using Environmental and Social Risk Categories (ESRC) and recommended risk tools such as ESRMS Assessment tool and Hazard map to ensure thorough evaluation and mitigation of environmental and social risks.

OPERATING PRACTICES

PROCUREMENT PRACTICES

Our procurement policies ensure fairness and accountability throughout the process of sourcing goods and services. We prioritize partnerships with local suppliers, promoting economic resilience and inclusion within the communities where we operate.

Through competitive bidding, we uphold integrity and openness in our procurement practices. Collaborating with local vendors allows us not only to stimulate economic growth but also to contribute to job creation and sustainable development, as outlined in our sustainability objectives.

The Bank's Outsourcing and Vendor Risk Management Framework (OVRMF) ensures the efficacy in identifying and measuring outsourcing and vendor risks before entering agreements with third parties. Originally designed to establish general guidelines for risk management, the Framework also helps the Bank mitigate any environmental risks linked to procurement practices. This enables the Bank to assess and address the environmental impact associated with outsourcing activities, ensuring that appropriate procedures are in place to monitor and mitigate these risks effectively.

We strategically engage in outsourcing to third-party vendors or affiliated companies within the group to access specialized expertise or alleviate resource constraints. This decision is driven by several key considerations:

1. Gain operational or financial efficiencies.
2. Increase management focus on other core business functions.
3. Increase availability of service.
4. Accelerate delivery of products or services through new delivery channels.
5. Increase ability to acquire and support current technology and avoid obsolescence or conserve capital for other business venture.

ANTI-CORRUPTION

The Bank adheres to a Board-approved Manual of Corporate Governance that integrates principles established by regulatory authorities such as BSP and recognized local and global best practices. This comprehensive manual serves as a guiding framework for directors, officers, and employees, emphasizing their collective responsibility to uphold corporate integrity, mitigate the risk of corporate fraud, and prevent management misconduct and corruption.

Moreover, the Manual underscores the paramount importance of transparency in safeguarding the rights of both stockholders and stakeholders of the Bank, thus fostering a culture of trust and accountability throughout the organization.

WHISTLE-BLOWER PROTECTION POLICY AND PROGRAM

The Whistle-blower Protection Policy and Program aims to deter and uncover corrupt, illegal, unethical, fraudulent, or otherwise detrimental conduct to the Bank's interests, whether committed by employees or clients. This program offers protection to any officer, employee, or client who reports or provides information regarding such misconduct, including violations of company policies, rules, and regulations. As such, this policy is a cornerstone of the Bank's commitment to fostering good corporate governance.

All complaints or reports of reportable conduct are treated with utmost confidentiality, within the confines of the law and the Bank's capacity to address the violations. Whistle-blowers who report violations are guaranteed anonymity, recognizing that legal proceedings may require disclosure of the whistle-blower's identity under certain circumstances

ENVIRONMENTAL IMPACT

Makakalikasan...

Embracing ***Makakalikasan*** is our pledge to not only mitigate environmental risks but also to enhance our role as responsible corporate citizens, paving the way for a more sustainable future.

We are committed to upholding responsible business practices, which include promoting resource efficiency across all facets of our operations.

Through diligent monitoring and proactive measures, we continuously strive to reduce our consumption of key resources such as fuel, electricity, water and office supplies. By doing so, we not only minimize our environmental impact but also optimize operational efficiency, aligning with our commitment to sustainable practices.

RESOURCE CONSUMPTION

We are steadfast in adhering to robust business practices and advancing resource efficiency by monitoring and minimizing our utilization of electricity, water, fuel and office supplies.

In 2023, we observed a reduction in water consumption, totaling Php1.84 million compared with Php1.90 million in 2022, marking a 3% decrease. This decrease underscores the effectiveness of our established systems and policies aimed in promoting water-saving practices, such as installing low-flow faucets and promptly reporting faucet leaks.

Water
in Php million

2023	2022
1.84	1.90

Fuel
in Php million

2023	2022
9.50	10.09

Supplies
in Php million

2023	2022
24.53	28.58

Power
in Php million

2023	2022
26.54	24.99

Our stringent energy-saving initiatives, including transitioning to LED lighting systems and systematically shutting down computers, printers, air conditioners, and other equipment at the end of each workday, have been effectively implemented and monitored.

Furthermore, there was a decrease in fuel consumption in 2023, totaling Php9.50 million compared with Php10.09 million in 2022.

Similarly , there was a significant decrease in usage of Office Supplies in 2023 totaling Php4 million, which represents a 14% reduction. This decrease can be attributed to the efficient usage of inks and paper.

In 2023, our absolute electricity consumption amounted to Php26.54 million, slightly higher than the Php24.99 million recorded in 2022. This 6% increase is primarily due to the higher kilowatt-hour rate in 2023, rather than an actual increase in consumption.

Overall, these reductions are a result of the bank's cost-saving initiatives implemented in 2023. These concerted efforts reflect the bank's unwavering commitment to minimizing resource consumption and bank's cost cutting initiatives while maintaining operational efficiency.

WASTE MANAGEMENT

BMI has implemented a comprehensive waste management strategy as part of our commitment to sustainability. This strategy encompasses various systems and policies aimed at reducing waste generation and promoting responsible resource usage. We have established protocols for managing and minimizing waste materials across our operations.

Additionally, we have implemented measures to encourage the reuse of paper and office supplies, ensuring optimal resource utilization. To address the environmental impact of plastic waste, we have adopted policies to reduce its usage and promote alternatives such as glass or reusable mugs over disposable plastic cups or bottles.

Furthermore, we emphasize the importance of waste segregation and proper disposal practices, including the separation of food waste in designated pantry bins. Through these initiatives, BMI is actively working towards reducing our environmental footprint and promoting a sustainable future.

SUSTAINABLE FINANCE THROUGH DIGITALIZATION

We have implemented additional solutions to promote sustainable finance through digitalization. This includes adoption of payment channels such as PESONet and other online payment gateway channels. This strategic move not only enhances the Bank's accessibility but also contributes to reducing resource consumption, including paper and power usage. Through these initiatives, we reaffirm our commitment to sustainable finance and environmental stewardship in our operations.

SOCIAL IMPACT

Makatao...

Embracing our commitment to being ***"Makatao"*** signifies our dedication to creating a positive social impact through both our employees and the communities that we serve. This commitment drives us to cultivate a workplace culture that empowers our employees, fostering their growth and well-being. In turn, our engaged and motivated workforce is better equipped to contribute meaningfully to community development initiatives.

By prioritizing social responsibility and community engagement, we aim to build a more inclusive and sustainable future to all *Kaibigan.*

WE VALUE OUR PEOPLE...

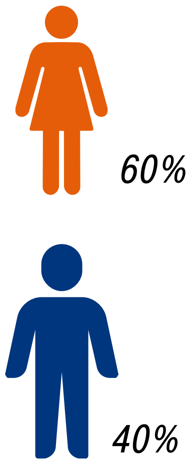
Our commitment to ***"Makatao"*** begins with valuing our people. We believe that our employees are our greatest asset, and their well-being and development are integral to our success. We invest in creating a supportive and inclusive work environment that fosters growth, innovation, and collaboration. Our comprehensive training and development programs ensure that our employees have the skills and opportunities to advance in their careers. We also prioritize their health and well-being by providing access to healthcare services through a health card with comprehensive personal and dependent coverage, wellness programs, and a safe workplace.

Our policies are designed to promote work-life balance, diversity and equal opportunity, we actively seek feedback from our employees to continuously improve their experience and ensure that their voices are heard. By nurturing our people, we cultivate a motivated and dedicated workforce and drives our mission forward.

"we believe that our employees are our greatest asset...'

WORKFORCE DIVERSITY

The Bank embraces the value of diversity as a catalyst for innovation, inclusive growth, and a harmonious organizational culture.



BMI has 1,305 employees - 60% are female and 40% are male.

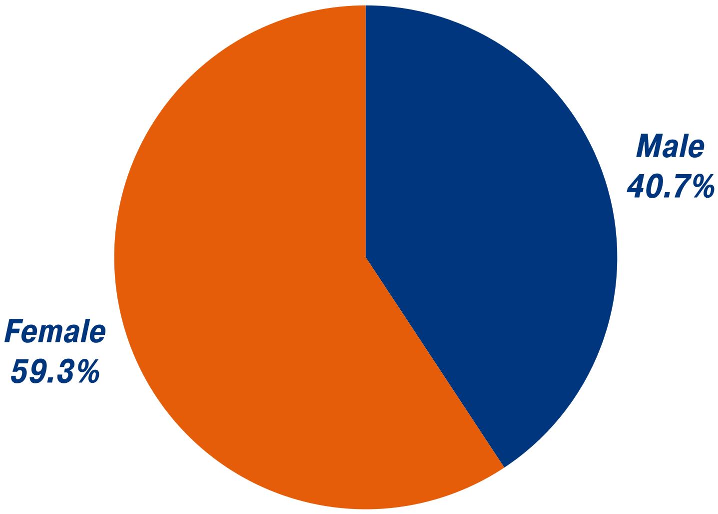
In terms of age, 57.55% are between 30 to 50 y.o., followed by the ones below 30 y.o. at 37.85% and those over 50 y.o. at 4.60%.

Total Headcount	2023	2022
By Gender		
Male	522	545
Female	783	767
By Level		
Executive and Senior Management	26	23
Middle management	88	85
Officers	346	371
Supervisors	147	138
Rank and File	698	695
By Age Group		
Below 30 years old	494	638
Between 30-50 years old	751	620
Above 50 years old	60	54

New Hires	2023	2022
By Gender		
Male	148	175
Female	166	140
By Level		
Executive and Senior Management	2	0
Middle management	7	5
Officers	51	52
Supervisors	4	1
Rank and File	250	257

EMPLOYEE TRAINING AND DEVELOPMENT

We are dedicated to acknowledging the significance of training and education in enhancing employee skills and competencies, while also fostering their professional and personal development. To achieve this objective, we have established systems and policies to ensure continuous employee training and development. This encompasses both soft and hard skills training, as well as internal and external training opportunities. Additionally, BMI provides avenues for higher learning and professional growth for employees, including e-learning platforms to facilitate flexible and accessible training initiatives.



Training Hours	2023	2022
All Employees	36,889	28,722
By Gender		
Male	15,018	12,660
Female	21,871	16,062

> "Training and development are essential for empowering employees to adopt environmentally responsible practices and contribute to the Bank's long-term sustainable growth."

CAREER ADVANCEMENT

A. Officer Development Program

In line with our commitment to fostering equitable opportunities for employee growth and development, the Officer Development Program (ODP) was launched in May 2023. This comprehensive initiative is designed to cultivate a group of highly motivated, effective and efficient officers with exposure to diverse functions across the bank. The program aims to establish clear career pathways for high-potential supervisors and staff to fill critical leadership positions within the Bank, including roles such as Account Officer, Branch Operations Head, Branch Relations Officer, Credit officer and other key leadership roles.

B. Annual Performance Appraisal Activities

Grounded in our dedication to sustainability, the Annual Performance Appraisal Activities are essential in assessing employee performance and nurturing a culture of excellence. These evaluations not only determine promotions but also guide decisions concerning performance bonuses, merit increases, and other recognition initiatives. By acknowledging and rewarding exemplary performance, we foster a culture of excellence and motivation, driving continuous improvement and bank's success.

C. Promotions

Promotions within the bank not only recognize individual accomplishment but also contribute significantly to the advancement of sustainability. Internal promotions foster employee loyalty and retention, leading to lower turnover rates and minimizing associated environmental impacts, such as recruitment and training costs.

SUCCESSION PLANNING

An effective succession planning process is vital to our commitment to sustainability, ensuring leadership continuity and stability crucial for long-term operational excellence and sustainable growth. In support of this commitment, the Bank has a Succession Planning Committee. This committee identifies the leadership levels the Bank must address in anticipation of future changes, such as retirements, resignations and expansion initiatives. Additionally, the committee prioritizes key and critical positions within the succession planning program and conducts regular reviews of the succession plan. The committee shall convene as necessary, but at least annually, following the completion of the annual employee review.

Promotions	2023	2022
By Gender		
Male	71	71
Female	110	109
By Level		
Executive and Senior Management	6	3
Middle management	22	17
Officers	81	85
Supervisors	52	49
Rank and File	20	26

EMPLOYEE ENGAGEMENT

We actively engage and motivate our employees by responding to their needs and providing multiple channels for open communication which includes the following:

- Culture Building Activities
- IntegriTips
- Annual Recognition Program
- Learning Caravan
- Kapihan with the President
- Motivational Feedback Month
- Collabora-Team (MLBB Tournament)
- BMI's Wellness Week
- Better Employee Experience “BEE-Log”

- DENR Dalaw-Turo
- Bankwide Christmas Party
- Appreciation Cocktails
- Weekly Bible Study
- Regular Feelings Check-In
- Courtesy Call (April, July, October)
- The Fellowship Continues
- Christmas Party
- Business Weekly
- Sustainability Trivia

EQUAL OPPORTUNITIES

We uphold principles of equality and fairness as an employer. We are committed to providing equal opportunities to all individuals, from job applicants to tenured employees. Discrimination based on race, religion, sex, sexual orientation, gender identity, or disability status is not tolerated within the Bank. We strive to cultivate an inclusive and diverse workplace where everyone is respected and valued for their unique contributions.

LABOR LAWS AND HUMAN RIGHTS

Through the implementation of policies and a code of conduct, we demonstrate our commitment to upholding human rights and extending protection to both customers and employees. Each newly onboarded employee is required to formalize their commitment by signing an employment contract, thus acknowledging their understanding and acceptance of the terms and conditions of their employment. BMI’s recruitment policy firmly opposes the employment of minors, aligning with our unwavering stance against child labor. Moreover, BMI maintains strict compliance with Philippine laws aimed at safeguarding human rights, thereby fostering an environment of inclusivity and respect for all individuals

COLLECTIVE BARGAINING AGREEMENT

Our commitment to exemplary labor practices underscores the significance we place on upholding the rights of our employees, with a deep recognition of the invaluable role played by employee unions. Over time, we have fostered and maintained a constructive and harmonious partnership with our employee union, ensuring a positive and conducive working environment for all. BMI’s new CBA was signed on January 12, 2024 and will expire on August 31, 2028. In 2023 a total of 520 rank-and-file employees, which is equivalent to 40% of our total workforce, was covered by CBA.

We strive to cultivate an inclusive and diverse workplace where everyone is respected and valued for their unique contributions.

WORKPLACE SAFETY AND LABOR PRACTICES

We consistently implement programs to safeguard and support our workforce, covering a wide spectrum of areas including mental health, physical fitness, workplace wellness, social connection, spiritual consciousness, and environmental stewardship.

In terms of safety measures, we adhere to strict compliance protocols to ensure the protection of employees and clients from workplace hazards such as fire, earthquakes, robberies, and other emergencies. Employees are required to promptly report any suspicious activities or unattended items to security personnel, enhancing overall vigilance and security within Bank premises.

Additionally, the Bank prioritizes employee health and safety through various training programs, including Basic Occupational Safety and Health Seminar certified by the Department of Labor and Employment (DOLE), first aid training certified by the Philippine Red Cross, basic training courses for Pollution Control, as well as safety drills for fire and earthquake preparedness. These initiatives underscore the Bank's unwavering dedication to ensuring the well-being and security of its workforce.

Moreover, the Bank has established comprehensive systems and policies to facilitate thorough inspection and search procedures conducted by security personnel upon entry, within, and upon exit from Bank premises, including parking lots. This proactive approach reinforces safety and security measures across all operational areas.

...AND THE COMMUNITY THAT WE SERVE...

Our ***"Makatao"*** commitment extends beyond our employees to the communities we serve. We recognize our responsibility to contribute positively to society and strive to make a meaningful impact through our social initiatives. By integrating social responsibility into our core business operations, we are dedicated to creating shared value. Our commitment to ***"Makatao"*** is reflected in every aspect of our work, as we aim to be a bank that not only serves but uplifts the people and communities, we are part of.

CUSTOMER MANAGEMENT

The Bank is committed to ensuring the highest levels of customer satisfaction by implementing a comprehensive Customer Satisfaction Program. This program is designed to enhance the overall customer experience and uphold their rights. We continuously monitor feedback from both traditional and social media channels, utilizing tools such as surveys and online feedback forms.

This enables us to promptly identify and address any concerns raised by our valued customers. Furthermore, we have established systems and policies to provide customers with accessible, affordable, independent, fair, accountable, timely, and efficient means to resolve any complaints related to their financial transactions. Through these measures, we aim to not only meet but exceed our customers' expectations, fostering trust and loyalty while ensuring their rights are protected and respected.

Number of Complaints based on Product Type

Product	Total No. of Complaints for 2023	Q1	Q2	Q3	Q4
Loans	42	9	10	16	7
ATM Related	83	28	13	28	14
CASA	2			2	
TOTAL	127	37	23	46	21

"we aim to not only meet but exceed our customers' expectations, fostering trust and loyalty while ensuring their rights are protected and respected"

Comparison of Complaints

Year	2022	2023	Increase/(Decrease)	
			Number	%
Q1	29	37	8	28%
Q2	44	23	-21	-48%
Q3	55	46	-9	-16%
Q4	39	21	-18	-46%
TOTAL	167	127	-40	-24%

DATA PRIVACY AND INFORMATION SECURITY

The Bank prioritizes the security and privacy of all individuals' information, including employees, clients, customers, and suppliers. We have implemented comprehensive security measures across our infrastructure and policies to safeguard data integrity.

Adhering to the Data Privacy Act of 2012 and relevant regulations, we maintain strict protocols for the collection, processing, and storage of personal data. Our Board-approved Data Privacy Policy Manual delineates the procedures and security measures for handling data throughout its lifecycle, ensuring compliance and protection against potential risks such as unauthorized access or accidental loss.

The Bank's Data Protection Officer (DPO) oversees compliance with the country's stringent data privacy laws and fosters a culture of heightened awareness in data privacy within the Bank through employee training and awareness campaigns.

The Information Security Department (ISD) complements this effort by providing mandatory information security training for Bank employees, conducting security awareness campaigns for partners and third-party service providers, and implementing the "Be Aware!" fraud awareness program for customers. Security awareness modules are integrated into the Bank's ladderized program curricula, with learning collaterals released monthly through the Bank's internal Workplace platform.

CORPORATE SOCIAL RESPONSIBILITY

We are deeply committed to Corporate Social Responsibility (CSR), recognizing it as integral to our mission of positively impacting society. Through our CSR initiatives, we enhance our reputation, build customer loyalty and attract employees who share our values. We support local projects and invest in environmentally sustainable practices. These efforts help us contribute to community strength, social fairness, and support sustainability goals, making difference beyond our core banking services.

Bahay Pag-IBIG (Home for the Aged)

San Fernando, Pampanga

This is a nursing home for elderlies – old men and women who were abandoned by their own families. It has no other means of income except donations from generous individuals that keep on coming and have sustained the operations of the institution since its foundation in 1988.

A total of 50 beneficiaries benefited from the Bank's whole day activity last May 6, 2023 under the headship of its Area Head with assistance from Head Office and Branch personnel.

Area 1 Vocational Rehabilitation Center (AVRC)

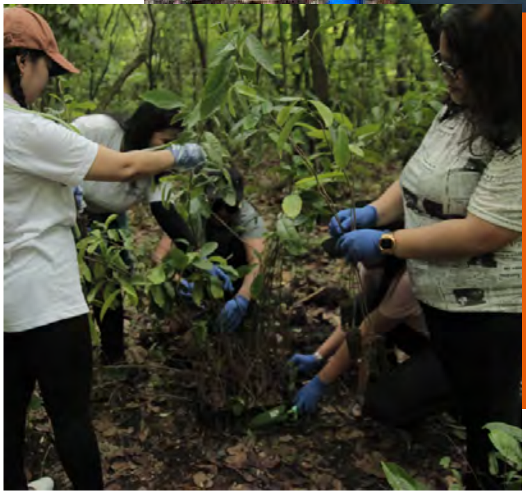
Bonuan Binloc, Dagupan City

The AVRC1 is one of the four (4) non-residential care facilities that provide vocational rehabilitation programs and services for persons with disability at eight (8) hours per day from Mondays to Fridays. It caters to PWDs and those with special needs who are 16-60 years of age. Their goal is to enable the persons with disabilities to become productive and contributing members of society through integration in the workforce.

A total of 70 beneficiaries participated and received care from the team, with the special participation of its City Vice Mayor, Hon. Bryan Kua, who graced the event on May 13, 2023.

"Through employee volunteerism and partnerships with local organization, we aim to make a meaningful and lasting impact on society and the environment."

CORPORATE SOCIAL RESPONSIBILITY



Tree Planting at La Mesa Watershed in Quezon City

To support the Bank's Sustainability Framework, the Bank through its Corporate Services Group, partnered with the Department of Environment and Natural Resources (DENR) signed for an exclusive 3-year contract for its first ever Tree Planting Project at La Mesa Watershed in Quezon City, last May 27, 2023 where seventy one (71) of volunteers from the Bank's Head Office and nearby Metro Manila Branches participated. A total of 500 seedlings of Bignay Tree were planted within the one (1) hectare provision. The activity was not just a one-day event. On a quarterly basis, the CSR Team as represented by various employees of the Bank had to visit the adopted area to care for the trees and make them thrive in the first few years.

This project served as a call for action against destructive environmental practices and was beneficial in raising awareness towards sustaining the Earth's natural environment.

Donate and Save Life

On February 17, 2023, the Bank, in partnership with the Philippine Red Cross - Rizal, Makati Chapter, successfully conducted a Bloodletting Activity at our Buendia Office. Seventy (70) bank employees registered for the screening and forty seven (47) of them passed the screening, each donating a 450 cubic centimeters (cc) of blood.

This initiative highlighted the Bank's ongoing commitment to community service and social responsibility, with employees showing their compassion to extend themselves and share a part of themselves through this life-saving activity.

OUR CONTINUING COMMITMENT TO SUSTAINABILITY…

Sustainability remains an ongoing journey at BMI, deeply rooted in our guiding principle “Diretso. Asenso.” and our unwavering commitment on sustainability to being ***“Malalapitan, Maaasahan, Makatao at Makakalikasang Kaibigan.”*** As a financial institution, we recognize our unique position to influence positive change and create lasting value for all stakeholders. Sustainability for us is not only environmental stewardship but also about fostering economic stability and social equity.

Our commitment to sustainability encompasses responsible lending practices, supporting sustainable projects, and adapting eco-friendly and efficient practices in our operations. We are dedicated to driving innovation in financial services that promote economic growth while minimizing environmental impact. By fostering community engagement and cultivating strong partnerships, we aim to create a resilient and inclusive economy that benefits everyone.

As we continue on this journey, we pledge to explore new solutions and ensure that our operations contribute to a more sustainable future. If you have suggestions or feedback, please send them to consumerassistance@bankofmakati.com.ph.

At BMI, sustainability is more than a goal – it’s our responsibility and our promise to all our *Kaibigan.*

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Financial Statements and
Independent Auditors' Report

Bank of Makati (A Savings Bank), Inc.

December 31, 2023 and 2022
(With Corresponding Figures as of January 1, 2022)

P&A Grant Thornton

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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, 2023 and 2022, 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 material accounting policy information.

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

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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.

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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, 2023 and 2022 required by the Bangko Sentral ng Pilipinas, and for the year ended December 31, 2023 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. 100761138, January 3, 2024, Makati City
SEC Group A Accreditation
Partner - No. 92966-SEC (until financial period 2027)
Firm - No. 0002 (until financial period 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 12, 2024

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(With Corresponding Figures as of January 1, 2022)
(Amounts in Philippine Pesos)

	Notes	December 31, 2023	December 31, 2022 (As Restated - see Note 2)	January 1, 2022 (As Restated - see Note 2)
RESOURCES				
CASH	7	**P 108,263,928**	P 126,910,755	P 117,680,451
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	**1,443,819,384**	2,554,667,407	6,114,137,502
DUE FROM OTHER BANKS	7	**208,610,771**	283,995,059	285,254,259
INVESTMENT SECURITIES - Net	8	**10,681,142,859**	10,351,821,037	6,153,695,113
LOANS AND RECEIVABLES - Net	9	**37,660,952,227**	34,999,052,078	32,105,503,533
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	10	**120,159,391**	115,302,001	120,996,506
RIGHT-OF-USE ASSETS - Net	11	**229,935,737**	296,284,236	195,211,136
ASSETS HELD FOR SALE - Net	12	**412,710,921**	321,568,974	364,175,140
INVESTMENT PROPERTIES - Net	13	**159,870,734**	165,652,747	206,977,414
DEFERRED TAX ASSETS - Net	21	**587,733,305**	533,026,197	487,206,962
OTHER RESOURCES - Net	14	**187,694,934**	186,914,783	231,718,636
TOTAL RESOURCES		**P 51,800,894,191**	P 49,935,195,274	P 46,382,556,652
LIABILITIES AND EQUITY				
DEPOSIT LIABILITIES	15	**P 32,984,326,596**	P 32,304,890,717	P 30,475,013,159
ACCOUNTS PAYABLE AND OTHER LIABILITIES	16	**2,282,926,261**	1,883,787,210	1,213,715,766
Total Liabilities		**35,267,252,857**	34,188,677,927	31,688,728,925
EQUITY	17			
Capital stock		**5,000,000,000**	5,000,000,000	5,000,000,000
Retained earnings		**11,595,363,140**	10,858,386,410	9,673,240,582
Revaluation reserves		**(61,721,806)**	(111,869,063)	20,587,145
Total Equity		**16,533,641,334**	15,746,517,347	14,693,827,727
TOTAL LIABILITIES AND EQUITY		**P 51,800,894,191**	P 49,935,195,274	P 46,382,556,652

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As Restated - see Note 2)
INTEREST INCOME			
Loans and receivables	9	**P 8,605,910,608**	P 8,306,044,668
Investment securities	8	**487,355,247**	405,668,394
Due from Bangko Sentral ng Pilipinas and other banks	7	**171,916,118**	119,022,331
		9,265,181,973	8,830,735,393
INTEREST EXPENSE			
Deposit liabilities	15	**1,478,381,653**	869,341,193
Lease liabilities	11	**19,535,210**	21,395,609
Others	19	**6,901,100**	4,469,700
		1,504,817,963	895,206,502
NET INTEREST INCOME		**7,760,364,010**	7,935,528,891
IMPAIRMENT LOSSES			
Financial assets	8, 9	**1,207,709,892**	1,474,973,715
Non-financial assets	12	**322,738,345**	285,309,035
		1,530,448,237	1,760,282,750
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**6,229,915,773**	6,175,246,141
OTHER OPERATING EXPENSES	18	**(3,231,225,235)**	(3,146,330,967)
OTHER OPERATING INCOME	18	**1,303,786,513**	1,210,037,406
PROFIT BEFORE TAX		**4,302,477,051**	4,238,952,580
TAX EXPENSE	21	**1,065,500,321**	1,053,806,752
NET PROFIT		**P 3,236,976,730**	P 3,185,145,828

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As Restated - see Note 2)
NET PROFIT		**P 3,236,976,730**	P 3,185,145,828
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified subsequently to profit or loss			
Loss on remeasurements of defined benefit plan	19	**(23,050,400)**	(16,499,400)
Fair value gains (losses) on equity securities classified at fair value through other comprehensive income (FVOCI)	8	**3,477,760**	(13,322,050)
Tax income	21	**5,762,600**	4,124,850
		(13,810,040)	(25,696,600)
Item that will be reclassified subsequently to profit or loss			
Fair value gains (losses) on debt securities classified at FVOCI	8	**63,957,297**	(106,759,608)
Total Other Comprehensive Income (Loss) - Net of Tax		**50,147,257**	(132,456,208)
TOTAL COMPREHENSIVE INCOME		**P 3,287,123,987**	P 3,052,689,620

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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)	**Total**	**Total Equity**
Balance at January 1, 2023						
As previously reported	P 5,000,000,000	P 10,866,828,203	(P 115,386,789)	P 3,517,726	(P 111,869,063)	P 15,754,959,140
Prior period adjustment	-	(8,441,793)	-	-	-	(8,441,793)
As restated	5,000,000,000	10,858,386,410	(115,386,789)	3,517,726	(111,869,063)	15,746,517,347
Dividends declared during the year	-	(2,500,000,000)	-	-	-	(2,500,000,000)
Total comprehensive income (loss) for the year						
Net profit during the year	-	3,236,976,730	-	-	-	3,236,976,730
Other comprehensive income (loss)	-	-	67,435,057	(17,287,800)	50,147,257	50,147,257
Balance at December 31, 2023	**P 5,000,000,000**	**P 11,595,363,140**	**(P 47,951,732)**	**(P 13,770,074)**	**(P 61,721,806)**	**P 16,533,641,334**
Balance at January 1, 2022						
As previously reported	P 5,000,000,000	P 9,676,397,943	P 4,694,869	P 15,892,276	20,587,145	P 14,696,985,088
Prior period adjustment	-	(3,157,361)	-	-	-	(3,157,361)
As restated	5,000,000,000	9,673,240,582	4,694,869	15,892,276	20,587,145	14,693,827,727
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	-	3,185,145,828	-	-	-	3,185,145,828
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 10,858,386,410	(P 115,386,789)	P 3,517,726	(P 111,869,063)	P 15,746,517,347

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022 (As Restated - see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**P 4,302,477,051**	P 4,238,952,580
Adjustments for:			
Interest income	7, 8, 9	**(9,265,181,973)**	(8,830,735,393)
Interest received		**8,800,888,863**	8,352,358,709
Impairment losses	8, 9, 12	**1,530,448,237**	1,760,282,750
Interest expense	11, 15, 19	**1,504,817,963**	895,206,504
Interest paid		**(1,260,830,851)**	(720,994,441)
Gain on sale of properties - net	12, 13	**(414,225,956)**	(453,782,440)
Depreciation and amortization	10, 11, 13, 14	**159,187,641**	179,097,688
Operating profit before changes in resources and liabilities		**5,357,580,975**	5,420,385,957
Increase in loans and receivables		**(1,578,763,114)**	(4,449,333,550)
Decrease (increase) in assets held for sale		**(70,759,333)**	139,972,574
Decrease in investment properties		**56,605,413**	93,248,210
Decrease (increase) in other resources		**(9,214,940)**	11,005,432
Increase in deposit liabilities		**454,983,977**	1,677,061,106
Increase in accounts payable and other liabilities		**352,439,212**	548,863,453
Cash generated from operations		**4,562,872,190**	3,441,203,182
Cash paid for income taxes		**(1,028,413,020)**	(1,096,115,749)
Net Cash From Operating Activities		**3,534,459,170**	2,345,087,433
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income (FVOCI)	8	**(550,000,000)**	(3,232,670,000)
Proceeds from disposal of FVOCI	8	**200,000,000**	75,000,000
Interest received on investment securities	8	**487,355,247**	405,668,394
Proceeds from maturities of investment securities at amortized cost	8	**(95,685,345)**	395,730,889
Acquisitions of bank premises, furniture, fixtures and equipment	10	**(36,531,774)**	(24,555,704)
Acquisitions of intangible assets	14	**(6,908,139)**	(2,528,916)
Acquisitions of investment securities at amortized cost	8	**-**	(1,675,710,000)
Net Cash Used in Investing Activities		**(1,770,011)**	(4,059,065,337)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends	17	**(2,500,000,000)**	(2,000,000,000)
Repayments of lease liabilities	11	**(107,457,813)**	(110,482,196)
Net Cash Used in Financing Activities		**(2,607,457,813)**	(2,110,482,196)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**925,231,346**	(3,824,460,100)
CASH AND CASH EQUIVALENTS AT BEGINNING 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
		4,829,540,268	8,654,000,368
CASH AND CASH EQUIVALENTS AT END OF YEAR	7		
Cash		**108,263,928**	126,910,755
Due from Bangko Sentral ng Pilipinas		**1,443,819,384**	2,554,667,407
Due from other banks		**208,610,771**	283,995,059
Receivables arising from reverse repurchase agreement	9	**3,994,077,531**	1,863,967,047
		P 5,754,771,614	P 4,829,540,268

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

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(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 2023, the Bank's total equity reached P16.5 billion and has 102 branches which includes 48 regular branches, 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 Approval of Financial Statements

The financial statements of the Bank as at and for the year ended December 31, 2023 (including the comparative financial statements as at and for the year ended December 31, 2022, and the corresponding figures as of January 1, 2022) were authorized for issue by the Bank's Board of Directors (BOD) on April 12, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material 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 (FSRSC) 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 the 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.

In prior years, the Bank was unable to completely account for a number of lease contracts in accordance with PFRS 16. The effects of the foregoing restatements on the affected accounts in statements of financial position as at December 31, 2022 and January 1, 2022 are shown below and in the succeeding page.

	As Previously Reported	Prior Period Restatements	As Restated
December 31, 2022			
Change in Assets			
Right-of-use Assets	P 73,396,666	P 222,887,570	P 296,284,236
Deferred Tax Assets	530,212,266	2,813,931	533,026,197
Change in Liability			
Accounts Payable and Other Liabilities	(1,649,643,916)	(234,143,294)	(1,883,787,210)
Net increase in equity		(P 8,441,793)	
Change in Equity			
Retained Earnings	(P 10,866,828,203)	(P 8,441,793)	(P 10,858,386,410)
January 1, 2022			
Change in Assets			
Right-of-use Assets	P 113,559,465	P 81,651,671	P 195,211,136
Deferred Tax Assets	486,154,508	1,052,454	487,206,962
Change in Liability			
Accounts Payable and Other Liabilities	(1,127,854,280)	(85,861,486)	(1,213,715,766)
Net increase in equity		(P 3,157,361)	
Change in Equity			
Retained Earnings	(P 9,676,397,943)	(P 3,157,361)	(P 9,673,240,582)

The effects of the unaccounted lease contracts to each financial line item in the statement of profit or loss for the year ended December 31, 2022 is shown below.

	As Previously Reported	Prior Period Restatements	As Restated
Interest Expense –			
Lease liabilities	P 7,931,376	P 13,464,233	P 21,395,609
Other Operating Expense	3,152,749,291	(6,418,324)	3,146,330,967
Tax Expense	1,055,568,229	(1,761,477)	1,053,806,752
Net decrease in net profit		P 5,284,432	

The effect of the restatement on the statement of cash flows for the year ended December 31, 2022 is shown below.

	As Previously Reported	Prior Period Restatements	As Restated
Profit before tax	P 4,245,998,489	(P 7,045,909)	P 4,238,952,580
Changes in cash flows from operating activities			
Interest expense	881,742,269	13,464,235	895,206,504
Depreciation and amortization	140,901,814	38,195,874	179,097,688
Net impact on cash from operating activities		P 44,614,200	
Changes in cash flows from financing activities			
Repayment of lease liabilities	(P 65,867,996)	(P 44,614,200)	(P 110,482,196)

(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 2023 that are Relevant to the Bank

The Bank adopted for the first time the following amendments, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements.

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Bank's financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Bank's financial statements.

(iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Bank's financial statements.

(b) Effective in 2023 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, 2023, the Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, is not relevant to the Bank's financial statements.

(c) Effective Subsequent to 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements below 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, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

(v) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

2.3 Financial Instruments

(a) Financial Assets

(i) Classification, Measurement and Reclassification of Financial Assets of the Bank

Financial Assets at Amortized Cost

Where the business model is to hold assets to collect contractual cash flows, the Bank assesses whether the financial instruments' cash flows represent solely payment for principal and interest (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)].

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

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 fair value through profit or loss (FVTPL). The Bank has designated certain equity instruments as at FVOCI on initial recognition.

(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 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.

(iii) Impairment of Financial Assets

The Bank's expected credit loss (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.

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.

(iv) 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 significant increase in credit risk (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.

(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 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.

2.4 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.

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 25 years
Furniture, fixtures and equipment	3 to 5 years

2.5 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.

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 2.4 and 2.9).

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.

2.6 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.

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.

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. Amortization commences upon completion of the asset.

2.7 Other Income and Expense Recognition

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, *Revenue Contracts with Customers*.

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, another 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.

2.8 Leases – Bank as a Lessee

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.

2.9 Employee Benefits

The Bank provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Bank's defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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 Probability of Default (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.

There are no transfers of investment securities to and from FVOCI and amortized cost in 2023 and 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. 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.

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.

Relevant disclosures on the Bank's provisions and contingencies 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 2.3). 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 Assets, Investment Properties and Intangible Assets

The Bank estimates the useful lives of bank premises, furniture, fixtures and equipment, right-of-use assets, 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 amount 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.

In 2023, management revised the estimated useful life of its bank premises, furniture, fixtures and equipment to align with historical observations that the asset classes continue to provide value to the company beyond their existing useful life. This change in accounting estimate was applied prospectively, beginning November 1, 2023, and resulted in the decrease in depreciation of P0.02 million during the year. There were no other changes in the useful lives of existing bank premises, furniture, fixture and equipment and other non-financial assets prior to November 1, 2023. 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 behavior 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, 2023 and 2022, is disclosed in Note 21.

(g) 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 circumstance indicate that the carrying amount may not be recoverable.

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, exposure at default (EAD), and loss given default (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

On February 16, 2023, the Bank's BOD approved the amended ECL policy for the Bank's corporate loans, effective December 31, 2023. Based on the amended policy, the Bank's credit risk assessment for corporate loans are to be assessed both individually and collectively. Individual assessment is applied to top 50 commercial loans and back-to-back loan accounts. The remaining portfolio are assessed collectively based on their respective number of days past due, in order to determine the PD rate.

(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 five 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.

Except for the amendment of ECL policy on business loans on February 2023, there have been no other significant changes in the estimation techniques or significant assumptions made by the Bank in 2023 and 2022 [see Note 4.3.1.2(b)].

(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 assess the effect of macroeconomic factors as historical and deterministic regressors to the portfolios PD, a multivariate analysis in the context of vector autoregressive (VAR) model is used. To determine the MEV, all possible combinations of different macroeconomic factors were considered and evaluated based on the interpretative power of the models individual significance of parameter estimates, soundness of economic theory, and in accordance with the assumptions of VAR.

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.

In 2023, 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., World Bank), 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, BSP key interest rates, consumer price index (CPI), and growth rate of resources of the Philippine financial system. On the other hand, the key drivers for the Bank's retail loans portfolio include CPI, BSP key interest rates, MSME growth, business expectation index, unemployment rate, inflation rate, family financial situation index, growth rate of gross national income per capita, peso-dollar exchange rate, major oil markets price; and, real non-agricultural wage rate.

In 2022, 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 changes in MEVs were due to the recalibration of forward-looking information in 2023.

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.

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	2023	2022
Cash and cash equivalents	7	**P 5,754,771,614**	P 4,829,540,268
Investment securities:			
At amortized cost	8	**6,890,981,336**	6,997,188,953
At FVOCI	8	**3,616,357,763**	3,184,306,084
Loans and receivables	9	**36,345,304,366**	35,704,782,431
Rental and utilities deposits	14	**30,346,846**	26,112,334
		P 52,637,761,925	P 50,741,930,070

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, 2023 and 2022, 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, 2023 and 2022 is presented below and in the succeeding pages.

	Stage 1	Stage 2	Stage 3	Total
December 31, 2023:				
Loans and Receivables*				
Motorcycle Loans				
Unclassified/Current: Grade A	P 15,224,286,215	P -	P -	P15,224,286,215
Especially mentioned: Grade B	-	4,341,202,725	116,477,672	4,457,680,397
Sub-standard: Grade C	-	2,865,815,581	739,387,765	3,605,203,346
Doubtful: Grade D	-	-	507,500,298	507,500,298
Loss: Grade E	-	-	1,586,021,551	1,586,021,551
	15,224,286,215	7,207,018,306	2,949,387,286	25,380,691,807
Allowance for ECL	(193,796,221)	(61,227,038)	(1,465,047,273)	(1,720,070,532)
Carrying amount	**15,030,489,994**	**7,145,791,268**	**1,484,340,013**	**23,660,621,275**
Commercial Loans				
Unclassified/Current: Grade A	5,700,324,951	-	-	5,700,324,951
Especially mentioned: Grade B	-	101,539,128	26,602,130	128,141,258
Sub-standard: Grade C	-	-	3,398,968	3,398,968
Doubtful: Grade D	-	-	4,256,514	4,256,514
Loss: Grade E	-	-	1,070,664,412	1,070,664,412
	5,700,324,951	101,539,128	1,104,922,024	6,906,786,103
Allowance for ECL	(97,750,458)	(1,234,828)	(558,624,963)	(657,610,249)
Carrying amount	**5,602,574,493**	**100,304,300**	**546,297,061**	**6,249,175,854**

	Stage 1	Stage 2	Stage 3	Total
Other Retail Loans and Receivables				
Unclassified/Current: Grade A	P 3,224,191,416	P -	P -	P 3,224,191,416
Especially mentioned: Grade B	-	205,821,816	3,555,556	209,377,372
Sub-standard: Grade C	-	200,049,630	62,058,748	262,108,378
Doubtful: Grade D	-	-	55,597,198	55,597,198
Loss: Grade E	-	-	306,552,092	306,552,092
	3,224,191,416	405,871,446	427,763,594	4,057,826,456
Allowance for ECL	(77,481,990)	(18,063,487)	(205,203,411)	(300,748,888)
Carrying amount	**3,146,709,426**	**387,808,959**	**222,560,183**	**3,757,077,568**
Total gross amount	24,148,802,582	7,714,428,880	4,482,072,904	36,345,304,366
Allowance for ECL	(369,028,669)	(80,525,353)	(2,228,875,647)	(2,678,429,669)
Carrying amount	**P23,779,773,913**	**P7,633,903,527**	**P 2,253,197,257**	**P33,666,874,697**

**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 6,891,041,706	P -	P -	P 6,891,041,706
Allowance for ECL	(60,370)	-	-	(60,370)
Carrying amount	**P 6,890,981,336**	**P -**	**P -**	**P 6,890,981,336**

December 31, 2022:

Loans and Receivables*

	Stage 1	Stage 2	Stage 3	Total
Motorcycle Loans				
Unclassified/Current: Grade A	P 17,669,740,983	P -	P -	P17,669,740,983
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	17,415,419,168	4,347,387,407	1,375,003,188	23,137,809,763
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	Stage 1	Stage 2	Stage 3	Total
At amortized cost –				
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

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 reversal of P41 and impairment loss of P60,411 on debt securities classified as financial assets at amortized cost has been recognized in 2023 and 2022, respectively.

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 2023 and 2022 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, 2023	P 26,267	P 5,304	P 4,134	P 35,705
Transfers:				
From Stage 1 to Stage 2	(1,735)	1,735	-	-
From Stage 1 to Stage 3	(1,053)	-	1,053	-
From Stage 2 to Stage 1	87	(87)	-	-
From Stage 2 to Stage 3	-	(613)	613	-
From Stage 3 to Stage 1	20	-	(20)	-
From Stage 3 to Stage 2	-	9	(9)	-
New financial assets originated:				
Remained in Stage 1	12,547	-	-	12,547
Moved to Stages 2 and 3	-	870	407	1,277
Financial assets derecognized or repaid during the year	(8,539)	(1,055)	(2,529)	(12,123)
Write-offs	-	-	(385)	(385)
Others	(3,445)	1,551	1,218	(676)
	(2,118)	2,410	348	640
Balance at December 31, 2023	**P 24,149**	**P 7,714**	**P 4,482**	**P 36,345**
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

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 2023 and 2022 (amounts in millions of Philippine pesos).

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2023	P 348	P 81	P 2,141	P 2,570
Transfers:				
From Stage 1 to Stage 2	(35)	35	-	-
From Stage 1 to Stage 3	(355)	-	355	-
From Stage 2 to Stage 1	2	(2)	-	-
From Stage 2 to Stage 3	-	(270)	270	-
From Stage 3 to Stage 1	1	-	(1)	-
From Stage 3 to Stage 2	-	1	(1)	-
New financial assets originated:				
Remained in Stage 1	179	-	-	179
Moved to Stages 2 and 3	-	12	77	89
Financial assets derecognized or repaid during the year	(60)	(34)	(723)	(817)
Write-offs	-	-	(383)	(383)
Others	289	257	494	1,040
	21	(1)	88	108
Balance at December 31, 2023	**P 369**	**P 80**	**P 2,229**	**P 2,678**
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

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, 2023 and 2022 are presented below:

	2023	2022
Real estate mortgage	**P 4,389,732,234**	P 3,989,587,153
Hold out deposits	**740,906,357**	691,231,697
Others	**333,089,189**	371,248,209
	P 5,463,727,780	P 5,052,067,059

For receivables arising from reverse repurchase agreement, since the BSP's purchase will be reversed subsequently, the government securities sold amounting to P4.0 billion and P1.86 billion in 2023 and 2022, 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 2023 and 2022 amounted to P382.7 million and P630.7 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.

	2023			2022		
	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 5,754,771,614**	**P 589,116,873**	**P 9,034,789,982**	P 4,829,540,268	P 537,619,852	P 8,703,430,045
Consumption	**-**	**21,949,202,445**	**402,771,805**	-	22,644,463,603	406,210,432
Wholesale and retail trade	**-**	**3,293,554,113**	**-**	-	2,991,069,431	-
Real estate activities	**-**	**2,075,863,331**	**1,026,837,312**	-	2,070,952,314	1,028,869,601
Manufacturing	**-**	**1,072,594,022**	**-**	-	1,035,398,057	-
Electricity, gas and water and communication	**-**	**931,902,541**	**43,000,000**	-	851,602,974	42,984,959
Construction	**-**	**850,580,959**	**-**	-	844,726,817	-
Agriculture, hunting and forestry	**-**	**851,945,632**	**-**	-	796,960,490	-
Transportation, storage	**-**	**966,085,503**	**-**	-	618,635,729	-
Accommodation and food service	**-**	**905,592,544**	**-**	-	464,272,761	-
Human health and social service activities	**-**	**351,260,694**	**-**	-	339,485,043	-
Other community, social and personal services	**-**	**213,524,524**	**-**	-	248,214,742	-
Education	**-**	**18,896,790**	**-**	-	21,764,296	-
Administrative and support and personal services	**-**	**69,915,551**	**-**	-	20,410,002	-
Private household	**-**	**11,224,116**	**-**	-	10,584,103	-
	P 5,754,771,614	**P 34,151,279,638**	**P 10,507,399,099**	P 4,829,540,268	P 33,496,160,214	P 10,181,495,037

4.3.1.8 Sensitivity Analysis on ECL Measurement

Set out below are the changes to the Bank's ECL as of December 31, 2023 and 2022 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, 2023:			
Motorcycle loans	(b), (g), (h)	P 205,466,043	(P 174,867,973)
Corporate loans	(g), (h), (i)	124,631,005	(113,863,748)
Consumer loans	(b), (g), (h), (l) (m), (n), (o)	19,889,272	(14,831,480)
Enterprise loans	(b), (f), (h)	3,649,545	(3,402,871)
Microfinance loans	(b), (d), (f), (k)	4,386,007	(4,178,876)
December 31, 2022:			
Motorcycle loans	(a), (h)	P 428,225,533	(P 400,889,080)
Corporate loans	(a), (h)	6,049,421	(6,049,421)
Consumer loans	(a), (d), (h)	21,377,070	(18,661,427)
Enterprise loans	(a), (h)	1,794,157	(1,483,480)
Microfinance loans	(a), (h)	2,343,957	(2,181,182)

(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
(g) BSP key interest rates
(h) Consumer price index (CPI)
(i) Growth rate of resources of the Philippine financial system
(j) Business expectation index
(k) Family financial situation index
(l) growth rate of gross national income per capita
(m) Peso-dollar exchange rate
(n) Major oil market price
(o) Real non-agricultural wage rate

4.3.1.9 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 P733.8 million and P979.1 million as of December 31, 2023 and 2022, respectively (see Note 9). The related allowance for credit loss of such loans amounted to P180.7 million and P225.8 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, 2023 and 2022, 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
2023:			
Due from other banks	0.41%	P 859,029	P 644,272
Financial assets at FVOCI	1.22%	46,204,725	34,653,543
Investment securities at amortized cost	1.22%	84,005,891	63,004,418
		P 131,069,645	**P 98,302,233**
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

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 5.40% and 5.00% has been observed during 2023 and 2022, respectively. If quoted price for these securities increased or decreased by that amount, equity would have changed by P9.4 million and P8.5 million in 2023 and 2022, 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, 2023 and 2022 is presented below.

	Due Within One Year	Due Beyond One Year but Within Five Years	Due Beyond Five Years	Total
December 31, 2023:				
Financial Resources:				
Cash	P 108,263,928	P -	P -	P 108,263,928
Due from BSP	1,443,819,384	-	-	1,443,819,384
Due from other banks	208,610,771	-	-	208,610,771
Investment securities:				
At FVOCI	154,475,260	2,751,931,515	883,754,748	3,790,161,523
At amortized cost	737,527,466	5,483,037,959	670,476,281	6,891,041,706
Loans and receivables	15,723,074,567	23,134,819,167	1,481,488,162	40,339,381,896
Rental and utilities deposits	-	-	30,346,846	30,346,846
Total	18,375,771,376	31,369,788,641	3,066,066,037	52,811,626,054
Financial Liabilities:				
Deposit liabilities	28,513,598,260	3,504,173,242	966,555,094	32,984,326,596
Accounts payable and other liabilities	1,598,930,109	39,038,562	31,223,212	1,669,191,883
Total	30,112,528,369	3,543,211,804	997,778,306	34,653,518,479
Periodic Surplus (Gap)	(11,736,756,993)	27,826,576,837	2,068,287,731	18,158,107,575
Cumulative Total Surplus (Gap)	**(P 11,736,787,568)**	**P 16,089,759,474**	**P 18,158,107,575**	**P -**

	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 20,426,464,561	P 17,426,320,786	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 2023.

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.

		2023		2022	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets:					
At amortized cost:					
Cash		**P 108,263,928**	**P 108,263,928**	P 126,910,755	P 126,910,755
Due from BSP		**1,443,819,384**	**1,443,819,384**	2,554,667,407	2,554,667,407
Due from other banks		**208,610,771**	**208,610,771**	283,995,059	283,995,059
Investment securities at amortized cost - net	8	**6,890,981,336**	**6,577,985,836**	6,997,188,953	6,505,213,627
Loans and receivables	9	**37,660,952,227**	**38,671,544,374**	34,999,052,078	35,996,244,597
Rental and utilities deposits	14	**30,346,846**	**30,346,846**	26,112,334	26,112,334
		46,342,974,492	**47,040,571,139**	44,987,926,586	45,493,143,779
At fair value – Investment securities at FVOCI	8	**3,790,161,523**	**3,790,161,523**	3,354,632,084	3,354,632,084
		P 50,133,136,015	**P50,830,732,662**	P48,342,558,670	P 48,847,775,863
Financial Liabilities:					
At amortized cost:					
Deposit liabilities	15	**P32,984,326,596**	**P29,559,270,398**	P 32,304,890,717	P 30,101,518,752
Accrued expenses and other liabilities	16	**1,669,191,883**	**1,669,191,883**	1,181,104,977	1,181,104,977
		P34,653,518,479	**P31,228,462,281**	P 33,485,995,694	P 31,282,623,729

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 of financial position		Net amount presented in statement of financial position	Related amounts not set-off in the statement of financial position		
	Financial instruments	Amount set-off		Financial instruments	Collateral received	Net amount
December 31, 2023						
Financial assets:						
Loans and receivables	**P 38,015,354**	**(P 354,402)**	**P 37,660,952**	**P 37,660,952**	**(P 740,906)**	**P 36,920,046**
Financial liabilities:						
Deposit liabilities	P 32,984,327	P -	P 32,984,327	P 32,984,327	(P 740,906)	P 32,243,421
Accounts payable and other liabilities	2,637,328	(354,402)	2,282,926	2,282,926	-	2,282,926
Deposit liabilities	**P 35,621,655**	**(P 354,402)**	**P 35,267,253**	**P 35,267,253**	**(P 740,906)**	**P 34,526,347**
December 31, 2022 (as restated)						
Financial assets:						
Loans and receivables	P 35,258,444	(P 259,392)	P 34,999,052	P 34,999,052	(P 691,618)	P 34,307,434
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	2,143,179	(259,392)	1,883,787	1,883,787	-	1,883,787
Deposit liabilities	P 34,448,070	(P 259,392)	P 34,188,678	P 34,188,678	(P 691,618)	P 33,497,060

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 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, 2023 and 2022.

	Level 1	Level 2	Level 3	Total
December 31, 2023:				
Financial assets				
at FVOCI:				
Debt securities	P 2,230,101,290	P 1,386,256,473	P -	P 3,616,357,763
Equity securities	173,803,760	-	-	173,803,760
	P 2,403,905,050	**P 1,386,256,473**	**P -**	**P 3,790,161,523**
December 31, 2022:				
Financial assets				
at FVOCI:				
Debt securities	P 592,009,426	P 2,592,296,658	P -	P 3,184,306,084
Equity securities	170,326,000	-	-	170,326,000
	P 762,335,426	P 2,592,296,658	P -	P 3,354,632,084

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, 2023 and 2022 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, 2023				
Financial assets:				
Cash	P 108,263,928	P -	P -	P 108,263,928
Due from BSP	1,443,819,384	-	-	1,443,819,384
Due from other banks	208,610,771	-	-	208,610,771
Investment securities at amortized cost – net	2,856,161,824	3,721,824,012	-	6,577,985,836
Loans and receivables – net	3,994,077,531	-	34,677,466,843	38,671,544,374
Rental and utilities deposits	-	-	30,346,846	30,346,846
	P 8,610,933,438	**P 3,721,824,012**	**P 34,707,813,689**	**P 47,040,571,139**
Financial liabilities:				
Deposit liabilities	P -	P -	P 29,559,270,398	P 29,559,270,398
Accounts payable and other liabilities	-	-	1,669,191,883	1,669,191,883
	P -	**P -**	**P 31,228,462,281**	**P 31,228,462,281**
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	2,530,805,063	3,974,408,564	-	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 7,360,345,331	P 3,974,408,564	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

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, 2023 and 2022.

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Land	P -	P -	P 311,992,761	P 311,992,761
Buildings and improvements	-	-	533,060,657	533,060,657
	P -	**P -**	**P 845,053,418**	**P 845,053,418**

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

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 3 fair value of land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, adjusted for differences in key attributes such as property size, zoning, and accessibility. 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 P482.8 million and P420.2 million in 2023 and 2022, 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 2023 and 2022.

7. CASH AND CASH EQUIVALENTS

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

	Note	2023	2022
Cash		**P 108,263,928**	P 126,910,755
Due from BSP		**1,443,819,384**	2,554,667,407
Due from other banks		**208,610,771**	283,995,059
Receivables arising from reverse repurchase agreement	9	**3,994,077,531**	1,863,967,047
		P 5,754,771,614	P 4,829,540,268

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 0.125% to 3.50% in both 2023 and 2022.

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 5.00% to 6.85% in 2023, and from 1.50% to 6.45% in 2022.

Interest income from Due from BSP amounted to P132.1 million and P114.3 million in 2023 and 2022, respectively; while interest income from Due from Other Banks amounted to P39.8 million and P4.7 million in 2023 and 2022, 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 2.00% of the outstanding balance thereof effective June 30, 2023, and 3.00% in 2022. The Bank has satisfactorily complied with the reserve requirements of the BSP as at December 31, 2023 and 2022 (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 5.00% to 6.40% in 2023 and at 2.50% to 5.50% in 2022. 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:

	2023	2022
Investment securities at amortized cost	**P 6,890,981,336**	P 6,997,188,953
Financial assets at FVOCI	**3,790,161,523**	3,354,632,084
	P 10,681,142,859	P 10,351,821,037

8.1 Investment Securities at Amortized Cost

Investment securities at amortized cost as at December 31, 2023 and 2022 consist of:

	2023	2022
Government securities	**P 5,908,461,878**	P 5,947,171,988
Corporate debt securities	**982,519,458**	1,050,016,965
	P 6,890,981,336	P 6,997,188,953

Interest rates per annum on government securities range from 2.88% to 6.13% both in 2023 and 2022 while interest rates per annum on corporate debt securities range from 1.30% to 6.15% both in 2023 and 2022. The total interest earned amounted to P302.7 million and P256.0 million in 2023 and 2022, respectively, and are presented as part of Interest Income on Investment Securities in the statements of profit or loss.

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

	2023	2022
Balance at beginning of year	**P 6,997,188,953**	P5,768,068,461
Additions	**-**	1,675,710,000
Redemption	**(95,685,345)**	(395,730,889)
Amortization of premium	**(10,522,313)**	(50,798,208)
Impairment reversal (loss)	**41**	(60,411)
Balance at end of year	**P 6,890,981,336**	P6,997,188,953

There were no sale of investment securities at amortized cost in both 2023 and 2022.

8.2 Financial Assets at FVOCI

Financial assets at FVOCI as at December 31, 2023 and 2022 consist of:

	2023	2022
Debt securities	**P 3,616,357,763**	P 3,184,306,084
Equity securities	**173,803,760**	170,326,000
	P 3,790,161,523	P 3,354,632,084

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

	2023	2022
Balance at the beginning of year	**P 3,354,632,084**	P 385,626,652
Additions	**550,000,000**	3,232,670,000
Disposals	**(200,000,000)**	(75,000,000)
Fair value gains (losses)	**67,435,057**	(120,081,658)
Amortization of premium (discount)	**18,094,382**	(68,582,910)
Balance at end of year	**P 3,790,161,523**	P 3,354,632,084

The fair value changes in the Bank's financial assets at FVOCI amounted to P67.4 million and P120.1 million for equity securities and corporate debt securities in 2023 and 2022, 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 P184.7 million and P149.7 million in 2023 and 2022, respectively, and are presented as part of Interest Income on Investment Securities in the statements of profit or loss.

Dividends earned from financial assets at FVOCI amounting to P6.7 million and P6.6 million in 2023 and 2022, 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	**2023**	2022
Receivables from customers:			
Motorcycle loans		**P 25,380,691,807**	P24,858,257,541
Commercial loans		**6,906,786,103**	6,664,460,317
Other retail loans		**1,863,801,728**	1,973,442,356
		34,151,279,638	33,496,160,214
Other receivables:			
Receivables arising from reverse repurchase agreement	7	**3,994,077,531**	1,863,967,047
Capitalized loan origination costs		**941,787,697**	974,948,810
Accrued interest receivable		**835,385,132**	931,155,558
Accounts receivable		**392,356,706**	269,610,668
Sales contracts receivable		**23,066,031**	31,478,020
Dividend receivable		**1,429,161**	1,429,161
		6,188,102,258	4,072,589,264
Allowance for impairment		**(2,678,429,669)**	(2,569,697,400)
	20.1	**P 37,660,952,227**	P34,999,052,078

The annual effective interest rates on these loans range from 2.33% to 62.56%, and from 2.33% to 60.97% in 2023 and 2022, respectively. The total interest earned amounted to P8.6 billion and P8.3 billion in 2023 and 2022, 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.

	2023	2022
Balance at beginning of year	**P 2,569,697,400**	P 2,370,091,593
Impairment losses during the year	**1,207,709,933**	1,474,913,304
Write-off	**(382,656,155)**	(630,726,796)
Derecognition due to foreclosure of motorcycle and consumer loans	**(529,977,758)**	(644,580,701)
Sale of receivables	**(186,343,751)**	(-)
Balance at end of year	**P 2,678,429,669**	P 2,569,697,400

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 2023 and 2022 are shown in the below.

	Building and Improvements	**Furniture, Fixtures and Equipment**	**Land**	**Total**
December 31, 2023				
Cost	P 299,351,005	P 341,979,868	P 63,005,278	P 704,336,151
Accumulated depreciation and amortization	(266,065,651)	(318,111,109)	-	(584,176,760)
Net carrying amount	**P 33,285,354**	**P 23,868,759**	**P 63,005,278**	**P 120,159,391**
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
January 1, 2022				
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

A reconciliation of the carrying amounts at the beginning and end of 2023 and 2022 of bank premises, furniture, fixtures and equipment is shown below.

	Building and Improvements	Furniture, Fixtures and Equipment	Land	Total
Balance at January 1, 2023, net of accumulated depreciation and amortization	P 37,671,726	P 14,624,997	P 63,005,278	P 115,302,001
Additions	10,144,698	26,387,076	-	36,531,774
Depreciation and amortization charges for the year (Note 18.2)	(14,531,070)	(17,143,314)	-	(31,674,384)
Balance at December 31, 2023, net of accumulated depreciation and amortization	**P 33,285,354**	**P 23,868,759**	**P 63,005,278**	**P 120,159,391**
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

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, 2023 and 2022, the Bank has satisfactorily complied with this BSP requirement.

As at December 31, 2023 and 2022, 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 P528.0 million and P451.0 million, respectively. Fully depreciated furniture, fixtures and equipment amounted to P61.9 million were disposed in 2023.

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 3.0% 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
2023			
Office and related facilities	**5**	**3 – 4 years**	**3.5 years**
Branches	**102**	**1 – 13 years**	**1.5 years**
Warehouse and related facilities	**21**	**1 – 5 years**	**2 years**
2022			
Office and related facilities	4	3 – 4 years	3.5 years
Branches	100	1 – 13 years	1.5 years
Warehouse and related facilities	15	1 – 5 years	2 years

11.1 Right-of-use Assets

The carrying amounts of the Bank's right-of-use assets as at December 31, 2023 and 2022, and the movements during the periods are shown below.

	Head Office	Branches	Warehouses	Total
Balance at beginning of year	P 131,274,597	P 150,914,289	P 14,095,350	P 296,284,236
Additions	-	24,898,409	641,823	25,540,232
Amortization	(29,175,683)	(57,509,354)	(5,203,694)	(91,888,731)
Balance at end of year	**P 102,098,914**	**P 118,303,344**	**P 9,533,479**	**P 229,935,737**
Balance at beginning of year, as previously reported	P 12,132,496	P 97,495,468	P 3,931,501	P 113,559,465
Effect of prior period errors (see Note 2.1)	-	73,779,231	7,872,440	81,651,671
Balance at beginning of year, as restated	12,132,496	171,274,699	11,803,941	195,211,136
Additions	146,531,272	33,183,753	14,694,765	194,409,790
Amortization	(27,389,171)	(53,544,163)	(12,403,356)	(93,336,690)
Balance at end of year	P 131,274,597	P 150,914,289	P 14,095,350	P 296,284,236

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.

	2023	2022 (As Restated – see Note 2)
Balance at the beginning of year, as previously reported	**P 321,636,628**	P 130,451,938
Effect of prior period adjustment	**-**	85,861,486
Balance at beginning of year as restated	**321,636,628**	216,313,424
Cash flows from financing activities – Lease payments	**(107,457,813)**	(110,482,195)
Non-cash financing activities:		
Additional lease liabilities	**25,540,233**	194,409,789
Amortization of interest	**19,535,210**	21,395,610
Balance at end of year (see Note 16)	**P 259,254,258**	P 321,636,628

The total interest expense in relation to lease liabilities amounted to P19.5 million and P21.4 million in 2023 and 2022, respectively, and are presented under Interest Expense on Lease Liabilities in the statements of profit or loss.

As at December 31, 2023 and 2022, 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, 2023 and 2022 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
2023:							
Lease payments	P 95,727,628	P 76,808,320	P 69,168,195	P 35,772,381	P 8,854,288	P 6,198,252	P 292,529,064
Finance charges	(14,873,777)	(10,049,973)	(5,569,775)	(1,936,267)	(645,167)	(199,847)	(33,274,806)
Net present values	**P 80,853,851**	**P 66,758,347**	**P 63,598,420**	**P 33,836,114**	**P 8,209,121**	**P 5,998,405**	**P259,254,258**
2022 (as restated):							
Lease payments	P 84,645,167	P 90,811,649	P 68,448,353	P 60,278,606	P 27,001,427	P 33,335,310	P364,520,512
Finance charges	(16,107,288)	(12,447,043)	(7,567,356)	(3,840,827)	(809,273)	(2,112,097)	(42,883,884)
Net present values	P 68,537,879	P 78,364,606	P 60,880,997	P 56,437,779	P 26,192,154	P 31,223,213	P321,636,628

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 2023 and 2022, the expenses relating short-term leases and low-value assets amounted to P11.0 million and P5.2 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 P412.7 million and P321.6 million for December 31, 2023 and 2022, respectively.

The breakdown of repossessed motor vehicles is shown below.

	2023	2022
Cost	**P 539,847,530**	P 420,867,456
Allowance for impairment	**(127,136,609)**	(99,298,482)
	P 412,710,921	P 321,568,974

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

	2023	2022
Balance at beginning of year	**P 420,867,456**	P 489,784,744
Additions	**2,063,745,884**	1,854,283,078
Sales	**(1,779,427,158)**	(1,856,118,960)
Redeemed	**(44,617,963)**	(41,348,078)
Other adjustments	**(120,720,689)**	(25,733,328)
Balance at end of year	**P 539,847,530**	P 420,867,456

The Bank recognized gain of P394.5 million and P382.7 million in 2023 and 2022, 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.

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

	2023	2022
Balance at beginning of year	**P 99,298,482**	P 125,609,604
Derecognition due to disposal	**(294,900,218)**	(311,620,157)
Impairment losses	**322,738,345**	285,309,035
Balance at end of year	**P 127,136,609**	P 99,298,482

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 2023 and 2022 are presented below.

	Land	Buildings and Improvements	Total
December 31, 2023			
Cost	P 87,918,948	P 195,315,021	P 283,233,969
Accumulated depreciation	-	(121,064,549)	(121,064,549)
Allowance for impairment	(2,167,181)	(131,505)	(2,298,686)
Net carrying amount	**P 85,751,767**	**P 74,118,967**	**P 159,870,734**
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
January 1, 2022			
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

A reconciliation of the carrying amounts at the beginning and end of 2023 and 2022 of investment properties is shown below.

	Land	Buildings and Improvements	Total
Balance at January 1, 2023 net of accumulated depreciation and impairment	P 80,083,721	P 85,569,026	P 165,652,747
Additions	10,038,494	9,088,385	19,126,879
Disposals	(4,370,448)	(256,847)	(4,627,295)
Depreciation charges for the year	-	(20,281,597)	(20,281,597)
Balance at December 31, 2023, net of accumulated depreciation and impairment	**P 85,751,767**	**P 74,118,967**	**P 159,870,734**
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

The Bank sold certain investment properties which resulted in a gain of P19.7 million and P71.1 million in 2023 and 2022, 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 2023 and 2022 include real and other properties acquired through foreclosure of assets amounting to P19.1 million and P1.7 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:

	2023	2022
Intangible assets – net	**P 60,563,211**	P 69,423,323
Prepaid expenses	**35,637,029**	41,760,702
Rental and utilities deposits	**30,346,846**	26,112,334
Documentary stamps on hand	**24,231,060**	25,083,002
Advances to suppliers	**1,998,200**	1,927,479
Others	**34,918,588**	22,607,943
	P 187,694,934	P 186,914,783

The gross carrying amounts and accumulated depreciation and amortization of intangible assets at the beginning and end of 2023 and 2022 are shown below and in the succeeding pages.

	Operating Licenses	Computer Software	Ongoing Software Development	Total
December 31, 2023				
Cost	P 114,659,521	P 283,071,923	P 6,667,728	P 404,399,172
Accumulated depreciation and amortization	(111,813,654)	(232,022,307)	-	(343,835,961)
Net carrying amount	**P 2,845,867**	**P 51,049,616**	**P 6,667,728**	**P 60,563,211**
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
January 1, 2022				
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

A reconciliation of the carrying amounts at the beginning and end of 2023 and 2022 intangible assets is shown below.

	Operating Licenses	Computer Software	Ongoing Software Development	Total
Balance at January 1, 2023, net of accumulated depreciation and amortization	P 3,459,975	P 60,906,900	P 5,056,448	P 69,423,323
Additions	523,044	4,773,815	1,611,280	6,908,139
Depreciation and amortization charges for the year (Note 18.2)	(1,137,152)	(14,631,099)	-	(15,768,251)
Balance at December 31, 2023, net of accumulated depreciation and amortization	**P 2,845,867**	**P 51,049,616**	**P 6,667,728**	**P 60,563,211**
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

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 include 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:

	2023	2022
Time	**P 28,879,812,115**	P 28,046,266,487
Savings	**2,138,691,938**	1,582,610,000
Demand	**1,965,822,543**	2,676,014,230
	P 32,984,326,596	P 32,304,890,717

Interest rates on deposit liabilities range between 0.63% to 6.30% in both 2023 and 2022,. Interest expense on deposit liabilities amounted to P1.5 billion and P869.3 million in 2023 and 2022, 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 P472.4 million and P403.2 million as at December 31, 2023 and 2022, 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:

	2023	2022
Time	**P 577,596,242**	P 841,387,995
Savings	**42,773,839**	47,478,300
Demand	**39,316,451**	80,280,427
	P 659,686,532	P 969,146,722

The BSP's reserve requirement is composed of regular reserve and liquidity reserve requirement equivalent to 2.00% in 2023 and 3.00% in 2022, 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 December 31, 2025.

As of December 31, 2023 and 2022, 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	**2023**	2022 [As Restated - see Note 2.1]
Accounts payable		**P 1,248,307,979**	P 1,064,583,548
Income tax payable		**279,012,121**	192,365,699
Lease liabilities	11	**259,254,258**	321,636,628
Retirement benefit obligation	19.2	**196,468,700**	139,836,500
Other taxes payable		**106,217,858**	104,036,744
Due to Philippine Deposit Insurance Corporation		**32,035,699**	32,299,996
Manager's checks		**93,577,810**	22,046,888
Others	18.2	**68,051,836**	6,981,207
		P 2,282,926,261	P 1,883,787,210

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, BSP supervision fees and accrued fringe benefit taxes, among others (see Note 18.2).

17. EQUITY

17.1 Capital Stock

The details of the Bank's capital stock as at December 31, 2023 and 2022 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 64 stockholders as at December 31, 2023 and 2022, owning 100 or more shares each of the Bank's capital stock.

17.2 Cash Dividends Declared

On September 12, 2023 and February 8, 2022, the Bank's BOD approved the declaration of cash dividends on common shares amounting to P2.5 billion (P5.0 per share) and P2.0 billion (P4.0 per share) to stockholders of record as of December 31, 2022 and 2021, respectively. These dividends were fully paid on December 4, 2023 and March 7, 2022, 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):

	2023	2022
Tier 1 Capital	**P 16,013,539**	P 15,244,177
Tier 2 Capital	**281,602**	320,574
Total Regulatory Qualifying Capital	**P 16,295,141**	P 15,564,751
Total Risk Weighted Assets	**P 50,024,889**	P 48,931,537
Capital Ratios:		
Total regulatory capital expressed as percentage of total risk weighted assets	**32.57%**	31.81%
Total Tier 1 expressed as percentage of total risk weighted assets	**32.01%**	31.15%

As at December 31, 2023 and 2022, the Bank's capital adequacy ratios are 32.57% and 31.81%, 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 Minimum Capital Requirement

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, 2023 and 2022, 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, 2023 and 2022 are analyzed below (amounts in millions except MLR figure).

	2023	2022
Eligible stock of liquid assets	**P 14,780**	P 13,497
Total qualifying liabilities	**34,379**	33,598
	42.99%	40.17%

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

18. OTHER OPERATING INCOME AND EXPENSES

18.1 Other Operating Income

This account is composed of the following:

	Notes	**2023**	2022
Fees and charges		**P 768,086,675**	P 602,598,052
Gain on sale of properties – net	12, 13	**414,225,956**	453,782,440
Recovery of written off accounts		**85,342,138**	107,999,714
Processing fees		**13,441,999**	20,343,532
Dividend income	8.2	**6,706,005**	6,624,359
Miscellaneous		**15,983,740**	18,689,309
		P 1,303,786,513	P 1,210,037,406

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	2023	2022 (As Restated - see Note 2.1)
Outside services	20.4	**P 991,497,792**	P 960,720,274
Employee benefits	19.1, 20.10	**738,379,362**	717,410,568
Taxes and licenses		**730,782,170**	691,957,728
Depreciation and amortization	10, 11.1, 13, 14	**159,187,641**	179,097,688
Advertising and publicity		**120,378,331**	98,501,545
Communication		**72,893,329**	60,832,423
BSP supervision fees and other compliance cost	16	**66,462,617**	35,019,156
Insurance		**66,306,286**	75,892,595
Security services		**45,389,208**	42,074,935
Power, light and water		**28,376,382**	26,887,019
Janitorial and messengerial services		**26,552,943**	24,525,171
Supplies		**24,534,467**	28,578,187
Fees and commissions	20.2	**23,971,525**	35,394,822
Rentals	11.3	**10,994,947**	7,009,357
Information technology		**22,415,107**	22,028,003
Management and other professional fees		**19,042,790**	15,191,760
Transportation and travel		**14,582,653**	12,638,860
Seminars and trainings		**12,571,834**	8,556,016
Fuel		**9,503,521**	10,087,873
Repairs and maintenance		**8,719,536**	12,897,941
Litigation/assets acquired expenses		**6,114,589**	5,254,309
Subscription fees		**4,995,000**	4,800,000
Miscellaneous		**27,573,205**	70,974,737
		P 3,231,225,235	P 3,146,330,967

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.

In 2023, the Bank has incurred BSP supervision fees amounting to P50.6 million due to non-compliance with Agri-Agra Reform Credit Act of 2009. The outstanding payable has been presented as part of Others under Accounts Payable and Other Liabilities (see Note 16). There was no similar transaction in 2022.

19. EMPLOYEE BENEFITS

19.1 Employee Benefits Expense

Expenses recognized for employee benefits are presented below (see Note 18.2).

	2023	2022
Short-term employee benefits	**P 711,698,662**	P 692,940,968
Post-employment defined benefit	**26,680,700**	24,469,600
	P 738,379,362	P 717,410,568

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 2023 and 2022.

The amounts of retirement benefit obligation recognized in the statements of financial position are determined as follows (see Note 16):

	2023	2022
Present value of the obligation	**P 261,844,400**	P 219,226,600
Fair value of plan assets	**(65,375,700)**	(79,390,100)
	P 196,468,700	P 139,836,500

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

	2023	2022
Balance at beginning of year	**P 219,226,600**	P 192,908,600
Current service costs	**26,680,700**	24,469,600
Interest expense	**11,910,600**	8,043,300
Benefits paid	**(17,668,900)**	(20,722,800)
Remeasurements –		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**18,580,400**	(40,951,700)
Experience adjustments	**3,115,000**	55,479,600
Balance at end of year	**P 261,844,400**	P 219,226,600

The movements in the fair value of plan assets are presented below.

	2023	2022
Balance at beginning of year	**P 79,390,100**	P 65,154,500
Contributions to the plan asset	**-**	33,356,300
Benefits paid	**(17,668,900)**	(20,722,800)
Interest income	**5,009,500**	3,573,600
Actuarial losses on plan asset	**(1,355,000)**	(1,971,500)
Balance at end of year	**P 65,375,700**	P 79,390,100

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below.

	2023	2022
Time deposit accounts	**P 59,640,130**	P 70,167,746
Savings accounts	**1,267,423**	3,637,181
Mutual fund investments	**4,468,147**	5,585,173
	P 65,375,700	P 79,390,100

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 P3.7 million and P1.6 million in 2023 and 2022, 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:

		2023		2022
Reported in profit or loss:				
Current service cost	**P**	**26,680,700**	P	24,469,600
Net interest expense		**6,901,100**		4,469,700
	P	**33,581,800**	P	28,939,300
Reported in other comprehensive loss:				
Actuarial gains (losses) arising from changes in:				
Financial assumptions	**(P**	**18,580,400)**	P	40,951,700
Experience adjustments	**(**	**3,115,000)**	(	55,479,600)
Return on plan assets (excluding amounts included in net interest expense)	**(**	**1,355,000)**	(	1,971,500)
	(P	**23,050,400)**	(P	16,499,400)

The net interest expense in 2023 and 2022 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:

	2023	2022
Discount rates	**6.00%**	7.10%
Expected rate of salary increases	**5.00%**	5.50%

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, 2023 and 2022:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2023			
Discount rate	**+/-1.00%**	**(P 239,094,900)**	**P 298,440,500**
Salary growth rate	**+/-1.00%**	**298,446,900**	**(261,884,400)**
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)

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 P196.5 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 P49.1 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:

	2023	2022
Within one year	**P 22,382,801**	P 22,176,989
More than five years to ten years	**22,266,812**	15,892,126
More than five years to ten years	**110,167,296**	118,057,826
	P 154,816,909	P 156,126,941

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.

A summary of the Bank's transactions and outstanding balances with its related parties is presented below.

		2023		2022	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Related Parties Under Common Ownership					
DOSRI loans	20.1	**P 716,215,845**	**P 716,215,845**	P 674,726,090	P674,726,090
Referral commission	20.2	**913,707,120**	**(86,490,553)**	932,028,294	(82,044,124)
Collection fees	20.4	**758,196,584**	**(20,376,213)**	801,220,096	(20,111,658)
Deposit liabilities	20.9	**1,406,771,342**	**(1,406,771,342)**	2,125,674,655	(2,125,674,655)
Selling commission	20.3	**106,199,844**	**(10,619,681)**	106,515,765	(9,360,089)
Accounts payable	20.8	**31,597,001**	**(31,597,001)**	81,686,139	(81,686,139)
Credit investigation support services	20.5	**101,302,000**	**(4,009,280)**	107,397,217	(2,655,0401)
Accounts receivable	20.7	**354,402,330**	**354,402,330**	259,391,657	259,391,657
Interest income	20.1	**28,723,180**	**-**	23,157,035	-
Leases	11	**39,156,862**	**-**	43,542,513	-
Key Management Personnel					
Compensation	20.10	**67,993,958**	**-**	76,444,071	-

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 P716.2 million and P674.7 million as of December 31, 2023 and 2022, 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 3.60% to 12.48%, and from 3.50% to 8.95% for 2023 and 2022, respectively, are fully secured, and have terms ranging from one month to ten years. The percentage of DOSRI to total loans in 2023 and 2022 is 1.88% and 1.93%, respectively. There were no past due and nonperforming DOSRI loans in 2023 and 2022. ECL recognized in 2023 and 2022 on DOSRI loans amounted to P7.16 million and P6.75 million, respectively. The Bank complied with the restrictions on DOSRI loans as of December 31, 2023 and 2022.

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, 2023 and 2022 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 P65.4 million and P79.4 million as at December 31, 2023, and 2022, respectively, were established by the Bank as plan assets for the retirement plan. Interest income earned by the time deposits amounted to P3.4 million, and P1.8 million in 2023 and 2022, 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. This is presented as part of Accounts receivable presented under the Loans and Receivable account (see Note 9).

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. This is presented and offset against Accounts receivable presented under the Loans and Receivable account (see Note 9).

20.9 Deposit Liabilities

The Bank has deposit liabilities to related parties under common ownership amounting to P1.4 billion and P2.1 billion as at December 31, 2023 and 2022 respectively.

Moreover, in the ordinary course of business, the Bank has deposit transactions with certain related parties and with outstanding deposit balance amounting to P14.2 billion and P13.6 billion as at December 31, 2023 and 2022, respectively.

20.10 Key Management Personnel Compensation

Salaries and short-term benefits received by key management personnel are summarized below.

	2023	2022
Short-term benefits	**P 64,975,898**	P 65,266,071
Post-employment benefits	**3,018,060**	11,178,000
	P 67,993,958	P 76,444,071

21. TAXES

The components of tax expense relating to profit or loss and other comprehensive income follow:

	2023	2022 (As Restated - see Note 2.1)
Profit or loss:		
Current tax expense:		
Regular corporate income tax (RCIT)	**P 963,704,418**	P 991,525,804
Final taxes	**150,740,411**	103,975,333
	1,114,444,489	1,095,501,137
Deferred tax income relating to origination and reversal of temporary differences	**(48,944,508)**	(41,694,385)
	P 1,065,500,321	P 1,053,806,752
Other comprehensive income:		
Deferred tax income relating to origination and reversal of temporary differences	**(P 5,762,600)**	(P 4,124,850)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in profit or loss is presented below.

	2023	2022 (As Restated - see Note 2.1)
Tax on pre-tax profit	**P 1,075,619,263**	P 1,059,738,145
Adjustments for income subjected to final tax	**(43,429,407)**	(37,318,028)
Tax effects of:		
Non-taxable income	**(5,523,498)**	(4,524,073)
Non-deductible expenses	**38,833,963**	35,910,708
Tax expense	**P 1,065,500,321**	P 1,053,806,752

The deferred tax assets as of December 31 relates to the following:

	2023	2022 (As Restated - see Note 2.1)
Deferred tax assets:		
Allowance for impairment	**P 702,067,245**	P 667,924,656
Unrealized loss on repossession	**34,400,091**	41,179,303
Retirement benefit obligation	**49,117,125**	34,959,075
Depreciation of investment properties	**30,266,137**	26,362,266
Lease liabilities	**64,813,565**	80,409,157
	880,664,163	850,834,457
Deferred tax liabilities:		
Deferred loan origination costs	**(235,446,924)**	(243,737,202)
Right-of-use assets	**(57,483,934)**	(74,071,058)
	(292,930,858)	(317,808,260)
Net deferred tax assets	**P 587,733,305**	P 533,026,197

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:

	2023	2022 (As Restated - see Note 2.1)
Profit or loss:		
Amortized loan origination costs	**(P 8,290,278)**	P 17,041,906
Allowance for impairment losses	**(34,142,589)**	(43,085,329)
Unrealized loss on repossession	**6,779,212**	(12,030,963)
Lease liabilities	**15,595,593**	46,048,625
Amortization of right-of-use-asset	**(16,587,125)**	(47,111,152)
Depreciation of investment properties	**(3,903,871)**	(3,661,722)
Retirement benefit obligation	**(8,395,450)**	1,104,250
Deferred tax income	**(P 48,944,508)**	(P 41,694,385)
Other comprehensive loss –		
Retirement benefit obligation	**(P 5,762,600)**	(P 4,124,850)

The Bank is subject to the minimum corporate income tax (MCIT) which is computed at 1.5% of gross income in 2023 and 2022, as defined under the tax regulations, or RCIT, whichever is higher.

No MCIT was reported in 2023 and 2022 as the RCIT was higher than MCIT in both years.

The Bank opted to claim itemized deductions in 2023 and 2022 in the computation of its income tax due.

22. OTHER MATTERS

22.1 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, 2023 and 2022, 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.

22.2 Events after the Reporting Period

On April 12, 2024, the BOD approved the dividend declaration on common shares amounting to P1.7 billion (P3.4 per share) payable to all stockholders of record as of December 31, 2023, payable on or before June 30, 2024.

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, 2023			
Cash	P 108,263,928	P -	P 108,263,928
Due from BSP	1,443,819,384	-	1,443,819,384
Due from other banks	208,610,771	-	208,610,771
Investment securities - net	891,972,151	9,789,170,708	10,681,142,859
Loans and other receivables - net	15,723,074,567	21,937,877,660	37,660,952,227
Assets held-for-sale - net	412,710,921	-	412,710,921
Bank premises, furniture, fixtures and equipment - net	-	120,159,391	120,159,391
Right-of-use assets-net	-	229,935,737	229,935,737
Investment properties - net	-	159,870,734	159,870,734
Deferred tax assets - net	-	587,733,305	587,733,305
Other resources - net	95,746,030	91,948,904	187,694,934
Total Resources	**P 18,884,197,752**	**P 32,916,696,439**	**P 51,800,894,191**
Deposit liabilities	P 28,513,598,260	P 4,470,728,336	P 32,984,326,596
Accounts payable and other liabilities	1,908,057,153	374,869,108	2,282,926,261
Total Liabilities	**P 30,421,655,413**	**P 4,845,597,444**	**P 35,267,252,857**

		Current		Non-current		Total
December 31, 2022 (as restated)						
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		253,014,852		10,098,806,185		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		-		296,284,236		296,284,236
Investment properties - net		-		165,652,747		165,652,747
Deferred tax assets - net		-		533,026,197		533,026,197
Other resources - net		89,451,648		97,463,135		186,914,783
Total Resources	P	20,016,616,622	P	29,923,578,652	P	49,935,195,274
Deposit liabilities	P	26,101,388,108	P	6,203,502,609	P	32,304,890,717
Accounts payable and other liabilities		1,513,356,099		370,431,111		1,883,787,210
Total Liabilities	P	27,614,744,207	P	6,573,933,720	P	34,188,677,927

23.2 Supplemental Information to Statement of Cash Flows

Significant non-cash transactions in 2023 are as follows:

- The Bank recognized additional right-of-use assets and lease liabilities amounting to P25.5 million in 2023 (see Note 11).

- Transfers from Loans and Receivables to Assets Held for Sale amounted to P2.1 billion (see Notes 9 and 12).

- Transfers from Loans and Receivables to Investment Properties as a result of foreclosures amounted to P19.1 million (see Notes 9 and 13).

Significant non-cash transaction in 2022 are as follows:

- The Bank recognized additional right-of-use assets and lease liabilities amounting to P194.4 million (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 P1.7 million (see Notes 9 and 13).

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.

	2023	2022 (As Restated – see Note 2)
Return on average equity		
Net profit / Average total capital accounts	**20.06%**	20.93%
Return on average resources		
Net profit / Average total resources	**6.36%**	6.61%
Net interest margin		
Net interest income / Average interest earning resources	**15.83%**	17.12%

(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	2023	2022
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:

	2023		2022	
	Amount	**Percentage**	Amount	Percentage
Consumption	**P 21,949,202,445**	**64.27%**	P 22,644,463,603	67.60%
Wholesale and retail trade	**3,293,554,113**	**9.64%**	2,991,069,431	8.93%
Real estate, renting and other related activities	**2,075,863,331**	**6.08%**	2,070,952,314	6.18%
Manufacturing	**1,072,594,022**	**3.14%**	1,035,398,057	3.09%
Transportation, storage and communication	**966,085,503**	**2.83%**	618,635,729	1.85%
Electricity, gas and water	**931,902,541**	**2.73%**	851,602,974	2.54%
Accommodation and food service	**905,592,544**	**2.65%**	464,272,761	1.39%
Construction	**850,580,959**	**2.49%**	844,726,817	2.52%
Agriculture, hunting and forestry	**851,945,632**	**2.49%**	796,960,490	2.38%
Financial and insurance activities	**589,116,873**	**1.73%**	537,619,852	1.61%
Human health and social service activities	**351,260,694**	**1.03%**	339,485,043	1.01%
Other community, social and personal services	**213,524,524**	**0.63%**	248,214,742	0.74%
Education	**18,896,790**	**0.06%**	21,764,296	0.06%
Administrative and support service activities	**69,915,551**	**0.20%**	20,410,002	0.06%
Private household	**11,244,116**	**0.03%**	10,584,103	0.03%
	P 34,151,279,638	**100%**	P 33,496,160,214	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, 2023, 10% of Tier 1 capital of the Bank amounted to P1.6 billion and P1.52 billion in 2023 and 2022, respectively. The table below shows the industry groups exceeding this level.

	2023	2022
Consumption	**P 21,949,202,445**	P22,644,463,603
Wholesale and retail trade	**3,293,554,113**	2,991,069,431
Real estate, renting and other related activities	**2,075,863,331**	2,070,952,314

(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:

	2023	2022
Secured:		
Real estate mortgage	**P 735,484,891**	P 1,274,669,411
Hold out deposits	**740,906,357**	691,231,697
Others	**333,089,189**	371,248,209
	1,809,480,437	2,337,149,317
Unsecured	**32,341,799,201**	31,159,010,897
	P 34,151,279,638	P33,496,160,214

(e) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below.

	2023		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Retail loans	P23,989,424,635	P 3,255,068,901	P 27,244,493,536
Commercial loans	5,841,893,604	1,064,892,498	6,906,786,102
	29,831,318,239	4,319,961,399	34,151,279,638
Allowance for ECL	(432,052,677)	(2,152,392,334)	(2,584,445,011)
Net carrying amount	**P29,399,265,562**	**P 2,167,569,065**	**P 31,566,834,627**

	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

As at December 31, 2023 and 2022, the nonperforming loans (NPLs) not fully covered by allowance for credit losses follow:

	2023	2022
Gross NPLs	**P 4,319,961,399**	P 3,999,700,240
NPLs fully covered by allowance for impairment	**(1,149,089,025)**	(1,240,530,733)
	P 3,170,872,374	P 2,759,169,507

(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)	
	2023	2022	**2023**	2022
Total outstanding loans	**P716,215,845**	P674,726,090	**P716,215,845**	P674,726,090
% of loans to total loan portfolio	**1.9%**	1.9%	**1.9%**	1.9%
% 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 2023 and 2022; 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, 2023 and 2022.

(b) 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, 2023 and 2022.

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 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 2023, the Bank reported total gross receipts tax amounting to P544,295,145 as shown under Taxes and Licenses [see Note 25(d)], in which P499,618,948 was paid during the year.

The breakdown of the GRT is shown below.

	Gross Receipts	GRT
Income derived from lending activities	P 10,938,930,475	P 539,303,521
Other income	71,308,918	4,991,624
	P 11,010,239,393	**P 544,295,145**

(b) DST

The movements in unused DST are summarized below.

Balance at beginning of year	P 25,083,002
Purchased	186,000,000
Affixed	(186,851,941)
Balance at end of year	**P 24,231,061**

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, P35,395,177 was charged to clients, while P151,456,765 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, 2023 are shown below.

Final	P 428,480,077
Expanded	180,126,678
Compensation and benefits	51,129,149
	P 659,735,904

(d) *Taxes and Licenses*

The details of taxes and licenses in 2023 are as follows:

	Note	
GRT	25(a)	P 544,295,145
DST	25(b)	151,456,765
Local taxes and business permit		32,193,666
Fringe benefits tax		2,010,591
Real property taxes		222,100
Miscellaneous		603,903
		P 730,782,170

(e) *Excise Taxes*

The Bank did not have any transactions in 2023 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, 2023.

(g) *Deficiency Tax Assessment and Tax Cases*

As of December 31, 2023, 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

Through the years, Bank of Makati Inc. has actively supported the Bangko Sentral ng Pilipinas' (BSP) campaign for financial inclusion and has continuously adopted best practices that produce good customer experiences for its Clients. This adoption conforms to the Bank's Consumer Protection Risk Management System (CPRMS), and is aligned to BSP Circular 1160 or Regulations on Financial Consumer Protection to implement R.A. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act" (FCPA).

The Customer Experience Management Department-Customer Engagement Section (CEMD-CES) promptly and effectively handles Customer requests, queries, and complaints (RQC) received by the Bank. 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 through the Bank's:

- Official Communication channels:
  Trunkline: 8889.0000
  Mobile: 0943.129.2559
  Email: malalapitan.kaibigan@bankofmakati.com.ph
  Facebook: bankofmakatiofficial
  Website: www.bankofmakati.com.ph

- Sixty-two (62) Branches and forty (40) Branch Lite Units nationwide with designated Consumer Assistance Officer

Bank of Makati acknowledges the indispensable role of the Customers in bringing about a strong and stable financial system, their right to be protected in all stages of their transactions, and be given an avenue to air their grievances 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 standard observance 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, it is ascertained that the Bank remains compliant to relevant laws, rules, and regulations and the best interest of the Customers are prioritized, such that identified risks of financial harm or probable loss are properly mitigated and managed.

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

Other Services

ATM Payroll
HMO Collection
Over-The-Counter Bills Payment

Loan Products

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

a proud member of: BancNet

Deposits are insured by PDIC up to Php500,000 per depositor

OUR NETWORK

METRO MANILA

REGULAR AND MICROFINANCE BRANCHES

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
Brgy. San Isidro, Makati City
(02) 8886.3696 / 0920.971.1057

CALOOCAN
Aurelio Building III, 11th Avenue
corner Rizal Avenue Extension
Grace Park, Caloocan City
(02) 8364.9039 / 0949.883.2180

CAMARIN (Microfinance)
654 Zabarte Road 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 Building 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
Brgy. 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
Brgy. Pio del Pilar, Makati City
(02) 8845.1201 / 0920.971.1064

MARIKINA
6 Bayan-Bayanan Avenue
Concepcion I, Marikina City
(02) 8721.8238 / 0949.883.1505

MAYON-DAPITAN (Microfinance)
175 Mayon St. cor. Dapitan Street,
Quezon City
(02) 8362.2593 / 0949.883.1502

MUNTINLUPA
Presnedi Building, 305 National Road,
Putatan, Muntinlupa City
(02) 8777.3098 / 0920.971.1072

PASAY - LIBERTAD (Microfinance)
Ground Floor, Galvez Building
257 Arnaiz Avenue, Libertad, Pasay
(02) 8804.2696/ 0917.835.3651

PASIG - RAYMUNDO (Microfinance)
G/F JG Building, C. Raymundo Avenue
Brgy. Rosario, Pasig City
(02) 8650.2970/ 0920.971.1076

ROOSEVELT (Microfinance)
336 Roosevelt Avenue, Quezon City
(02) 3415.1732 / 0920.971.1078

VALENZUELA
238 McArthur Highway
Karuhatan, Valenzuela City
(02) 8283.7175 / 0949.883.1501

LUZON

ANTIPOLO
4 Senator Lorenzo Sumulong
Memorial Circle Brgy. 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 Building
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, Batangas
(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
Brgy. 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
Brgy. Mayamot, Antipolo City, Rizal
(02) 7212.2521 / 0920.971.1071

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, Brgy. San Miguel
Puerto Princesa 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, Brgy. 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 Building,
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

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, Brgy. Cañelar
Zamboanga City, Zamboanga Del Sur
(062) 955.0655 / 0917.844.4053

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MALABON
3rd floor, Psalm Building
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 Building
Maharlika Highway,
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 Highway, Ninoy Aquino,
Angeles City, Pampanga
0919.088.3565 / 0956.420.3511

OLONGAPO
2nd Floor 1255 Rizal Ave. West,
Tapinac, Olongapo City, Zambales
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 Street
President Jose P. Laurel Highway,
Tanauan, Batangas
0922.834.7460 / 0919.088.3538

CALAMBA
3rd Floor, Julita Building 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 Building
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,
Ilustre Avenue, Lemery, Batangas
0918.336.6605

GUMACA
3rd Floor, Leopando Building
J.P. Rizal Street, (Kalye Putol)
Brgy. San Diego, Gumaca, Quezon
0919.088.3587

NARRA
Unit 301, PTK-II Commercial Building
Malvar Street, Brgy. Poblacion,
Narra, Palawan
0919.088.3511

BOAC
Philippine Red Cross Building,
Kasilag Street, 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 Building, Bagasbas Road
corner Diego Liñan Street, Brgy. 6
Daet, Camarines Norte
0948.451.5989 / 0919.088.3550

SORSOGON
Ground Floor, Cipriana Building
Magsaysay Street, Brgy. Sulucan
Sorsogon City, Sorsogon
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, Masbate
0963.657.3523 / 0919.088.3554

IRIGA
Unit 203, Ngo Sy Giok Po Building, San Miguel
J.P. Rizal Street, 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 Building, 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 Building
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
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