YOUR PARTNERSHIP VALUED

BMI Building,
Ayala Avenue near corner
Metropolitan Avenue,
Makati City

8889.0000

bankofmakati.com.ph

bankofmakatiofficial

ANNUAL REPORT 2021 | YOUR PARTNERSHIP VALUED

BANK OF MAKATI A Savings Bank

BANK OF MAKATI
since 1956 BMI
A Savings Bank

65 Years
YOUR PARTNERSHIP VALUED

annual report 2021

YOUR PARTNERSHIP VALUED

True to its tagline of being a "Malalapitan at Maaasahang Kaibigan," for the past sixty-five years, Bank of Makati Inc. (BMI) has been listening and responding to the needs of its existing and potential customers. It has catered to Filipinos from different walks of life and have continuously worked on improving its products and services.

The pandemic has compelled the Bank to be even more proactive in drafting strategies that would build business resiliency, manage risks, and secure long term banking partnership with its customers. From being a reactive utilitarian tool, to adapt to the new normal, BMI aim to be the proactive financial partner who understands his customer's financial situation better than anyone else. The Bank recognizes that surpassing economic contractions and achieving steady growth will only be possible through the continued patronage of its customers.

With the shift in financial landscape and customer behavior, BMI's thrust is to create more reliable, efficient and useful services that would promote convenience and motivate its customers to stay loyal to the Bank. This core relationship between BMI and its customers is the foundation on which better customer experience and stronger partnerships can be built.

TABLE OF CONTENTS

the **BMI** brand

Bank of Makati Inc.'s (BMI) brand colors of blue and orange symbolize the organization's commitment to deliver excellent service to its customers. This is consistent to the Bank's "*Diretso. Asenso.*" catchphrase that is anchored on financial inclusion. All of the Bank's products and services are made accessible and affordable. It is tailored to promote social inclusion through convenient access and availability for the "marginally banked or underbanked." These are generally underpriviledged population segments such as rural dwellers, micro, small and medium entrepreneurs (mSMEs) and low-income families who benefit from basic financial services such as savings, capital borrowings and salary loans.

BMI believes that by providing access to these households and entrepreneurs, the vicious cycle of poverty and lower income inequality will be broken. Financial sustainability and economic progress will be achieved.

MISSION

We exist to help more people attain better financial security.

We value our role in economic development and our contribution to social progress.

We are dedicated to the continuing growth of the Bank.

We are committed to the well-being of our employees and to providing them a work-life environment that brings out the best of their abilities, talents and behavior.

We aim to provide our shareholders optimum returns on their investments.

In pursuit of our mission, we shall be guided by the values of

TEAMWORK . INTEGRITY. CONCERN. EXCELLENCE.

VISION

We aim to be the mSME bank of choice, creating value through innovative and responsive financial products and services.

We will be:

Recognized for our ability to satisfy and delight our customers;

Admired for the competence and commitment of our people; and

Respected for the values and principles we stand for.

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 April 28, 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.

Over the years, Bank of Makati Inc. unceasingly strived to improve its products, business operations and customer servicing in order to achieve its vision and increase its market share.

CUSTOMER TOUCHPOINT

Bank of Makati Inc. (BMI) continues to serve its customers through its network of one hundred two branches and 10 ATMs strategically located nationwide. For inquiries or other banking concerns, customers can reach BMI through its Consumer Assistance hotline, email, and official Facebook account.

Trunkline: 8889.0000
Mobile: 0943.129.2559
Email: consumerassistance@bankofmakati.com.ph
facebook: bankofmakatiofficial
Website: www.bankofmakati.com.ph

CHAIRMAN AND PRESIDENT'S MESSAGE

LUIS M. CHUA
President

THOMAS C. ONGTENCO
Chairman of the Board of Directors

After almost two years into the COVID-19 pandemic, the door to the country's economic recovery has finally opened. The Philippines posted a 5.6% full-year groin Gross Domestic Product (GDP) which was indicative that the country's economy is on track to recover to the pre-pandemic level. This growth was a reversal of the 9.6% contraction in 2020 when the government imposed the strictest quarantine measures and lockdowns.

The new economy as coined by Mr. Benjamin Diokno, Bangko Sentral ng Pilipinas Governor, paved the way for the banking and financial services industry to experience a gradual performance improvement. The industry has made significant strides in adopting the Basel reform package. It has enjoined banks to increase their holdings of core quality capital and to favour more stable sources of funding.

All throughout the year, deposit levels increased and lending activities regained its footing. As a result of lesser payment defaults and improvements in portfolio quality, total provision for credit losses reduced by almost 50%. This economic upswing resulted from the increased vaccination rate, the ease in community quarantine restrictions and businesses slowly going back to their normal operations.

BMI's GRIT and RESILIENCY

Despite the operational challenges during the first half of the year (implementation of enhanced community quarantine), BMI still ended profitably strong with a net income of Php 2.78 billion, a 38% increase from the previous year. The Bank's capital adequacy position was also notable with a CAR of 31.61%, which was significantly above the regulatory threshold of 10%. Other financial measures such as return on equity and return on assets also improved to 20.57% and 6.09%, respectively.

As to liquidity, the Minimum Liquidity Ratio (MLR) of the Bank was at 42.05%, relatively higher compare to the regulatory requirement of 20% (lowered to 16% until end of 2022 as part of BSP's pandemic relief for banks). The Bank's growth and performance key drivers were the continuous increase in its resources, which reached Php 1.4 billion in 2021. BMI's investment securities also increased by Php 4 billion while loans and receivables by Php 217 million. These increases were offset by the decrease in due from other banks by Php 1.2 billion which resulted from the realignment of funds to higher yielding investment securities. Assets held for sale also decreased by Php 1 billion when the Bank's plan to dispose its investment in associate- BFC- materialized in 2021.

The Bank remained committed to its vision of becoming the mSME bank of choice and to its tagline of being a "*Malalapitan, Maaasahang Kaibigan*". At a time when face-to-face interactions were restricted, the Business Units managed to ensure that their customers were being promptly attended to and that the quality of service extended to them wasn't compromised. Traditional methods of generating sales were put on the back burner in favour of creating stronger customer relationships.

TRANSITION TO CUSTOMER CENTRICITY

The pandemic has highlighted the importance of building a resilient relationship with the customers and creating more accessible touch points for them. By staying connected, actively listening and being responsive to their needs, BMI was able to maintain engagement and loyalty. Customers could reach and report their concerns to the Business Units through BMI's official social media page, its Customer Service hotline, Viber and other messaging platforms. BMI took ownership of the limiting situation rather than just allowing the situation to take ownership of the Bank and its valued customers.

In the succeeding years, to acquire more customers and to retain them, the Bank intends to create more value in its products and services. This entailed review of its current systems and processes that were primarily driven by the needs of the Bank rather than by the desires of the customer.

BUILDING NEW CONNECTIONS

The pandemic has presented opportunities for BMI to establish new connections with partners who were equipped to help BMI address urgent short-term needs and capitalize on significant long-term opportunities. One of which is the engagement with payment gateway channels (online and payment centers). The Bank's loan borrowers could easily and securely pay for their amortizations on time, so as to avoid penalties.

To reach and cater to more customers, partnership with developers for housing and developers loan was initiated. In the same way, to take advantage of the reliance or demand for personal mobility, the Business Units reached out and sealed the deal with various dealerships for auto loans and luxury bike financing. Launching sustainability-focused products (such as Agri-related mSME loan, etc.) that are aligned to the Bank's mission to contribute to social progress was also prioritized.

EMPLOYEE ENGAGEMENT and WORK CULTURE

During the height of COVID-19, BMI employees' trusted their leaders to take the right direction. A key part of that trust in leadership was transparency, whereby employees had visibility into what was happening within the Bank. Management ensured that the employees' basic needs for safety, stability, and security during the crisis were provided for.

As we transition to the new normal, these engagement needs have evolved: trusting relationships, social cohesion and individual purpose have surfaced to be major contributors to the employees' well-being and work effectiveness. BMI is committed to address these needs by creating initiatives that would focus on the employees learning and development, spiritual life, building meaningful connections, collaboration and motivating them to remain committed to the Bank for the long-term.

65 YEARS OF VALUED PARTNERSHIP

For the past two years, Bank of Makati Inc. (BMI) was not spared from the adverse impact of the pandemic. For 2021, profitability fell short of the targets, both in terms of financial indicators and operational initiatives. Despite this non-achievement of targets though, the Bank still recorded better performance than it did during 2020 and is poised to return to, if not exceed, its pre-pandemic performance in the coming years.

From its small scale operations in J.P. Rizal, Makati in 1956, Bank of Makati (BMI) has now grown to be a Savings Bank serving nearly a million loan borrowers and a hundred thousand depositors. The trust, confidence and partnership with our customers have enabled the Bank to progress and withstand the challenges brought by our country's economic vulnerability.

It is BMI's thrust to further strengthen our partnership with our stakeholders: our employees, customers, investors, suppliers/service providers and the government. We are one with BSP in their advocacy for financial inclusion. We aim to reach more of the "underbanked" segment and to enable entrepreneurial empowerment. We exist to serve our community just as we have since 1956.

GRATITUDE AND APPRECIATION

The economic and social disruption brought by the pandemic has reminded most of us of our human vulnerability, adaptability and resilience. We are no exemptions to these realizations as we express our appreciation and gratitude to our Management Team, our front liners and back-office personnel who remained dedicated and focused on our business goals (despite of the operational limitations) and to our valued customers for their continued patronage.

We are hopeful and optimistic that 2022 would be a better year for everyone. Again, our heartfelt thank you!

May God's wisdom and guidance be upon us, as we enter the post-pandemic era.

CORPORATE GOVERNANCE

The Board of Directors (BOD/Board) has long been proactive in leading the Bank's corporate governance practices and is continuously committed to being adaptive with the changes and demands of the industry. It intends to promote good governance across the Bank and among all its stakeholders. It acts as steward of the organization, exercising independent judgment in supervising management and safeguarding the interest of the shareholders and stakeholders. Consequently, it fosters a corporate environment built on integrity and provides management with guidance in pursuit of maximizing long term shareholder value and shared goal.

All of which are aligned to the Board's ultimate goal of strengthening the corporate governance systems in order to improve the Bank's corporate governance value. As stipulated in the Corporate Governance policies, there are seven (7) members of the Board who sets the tone and spearheads the Corporate Governance practices of the Bank. The Corporate Governance Committee ensures that the Bank adheres to the Principles of Good Corporate Governance at all times. The Board also recognizes that the investors' confidence is a key element of the Bank's success.

Moving forward, as we live by the Bank's tagline of being a "Malalapitan, Maaasahang Kaibigan", we will continue to dedicate our efforts to uphold corporate governance that is built on integrity and transparency.

Overall Corporate Governance Structure and Practices

Bank of Makati (A Savings Bank), Inc. adheres to the principles of good corporate governance and maximizes shareholder-value through the four (4) elements of corporate governance: fairness, accountability, independence, and transparency. Good corporate governance plays an important role in managing the risk of corporate fraud and in ensuring that management misconduct and corruption would be avoided.

Under the supervision of the Board of Directors, it is ascertained that the four elements are prevalent in the conducts of the Bank's affairs. The member of the Board is composed of Executive Directors, Non-executive Directors, and Independent Directors. These directors are selected from a broad pool of qualified and experienced directors. They are expected to contribute to the Bank by sharing the best practices they have learned from their dealings from other financial institutions.

During the Annual Stockholders Meeting (ASM), the Board selects and appoints the composition of the Corporate Governance Committee. The Corporate Governance Committee is comprised of three (3) Independent Directors which complies with the requirement set by the Bangko Sentral ng Pilipinas (BSP).

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

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

Bank of Makati Inc. (BMI) is determined to maintain good corporate governance and professionalism in the management and operation of the Bank's business. The Bank remains steadfast in its compliances to all applicable regulations governing it.

Selection Process for the Board and Senior Management

Board of Directors

The nomination of candidates for the Directors' appointment is assessed by the Corporate Governance Committee (CGC) which then creates the appropriate recommendations to the Board. The CGC reviews and evaluates the qualifications of the nominees by applying the fit and proper rule, integrity/probity, physical/mental fitness, relevant education/financial literacy/training, possession of competencies relevant to the job such as knowledge and experience, skills, diligence, independence of mind, and sufficiency of time to fully carry out responsibilities as members of the Board.

The Nomination and Election of Directors of the Bank is conducted under the supervision of the Board of Directors and the common stockholders who are entitled to vote. The Board of Directors is duly elected during the Annual Stockholders Meeting (ASM).

The election is in accordance with the manner as prescribed under existing law and applicable provisions of Republic Act No. 11232 - An Act Providing for the Revised Corporation Code of the Philippines. The results of the election shall be reported to the BSP and as such the elected directors are subject to the evaluation, approval, and/or confirmation of the Monetary Board of the BSP.

Senior Management

The appointment of the President and Senior Management is carefully reviewed by the Corporate Governance Committee (CGC). The Board applies the fit and proper rule for the key officers of the Bank. The primary consideration includes integrity, technical expertise, and experience in Bank's business; they must also uphold the philosophy, vision and core values of the Bank. The CGC evaluates the candidates from an independent perspective and their relevance to the Bank's Management issues.

The Board of Directors gives the final decision on the appointment of the President and Senior Management as recommended by the CGC and in consideration of the qualifications, expertise and experience, fitness, and core competencies required to the position.

Board's Overall Responsibility and the role and contribution of Executive, Non-Executive and Independent Directors, and of the Chairman of the Board

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

- To establish the code of ethical standards in the Bank and play the lead role in implementing the Bank's corporate culture and values, To oversee the management's implementation of Board-approved business strategies and targets, To appoint/select key officers of Senior Management and heads of control functions and to review and approve the remuneration and other incentives policy of the Bank,

- To approve the risk governance framework and to oversee the implementation of appropriate risk management systems, and

- To approve and oversee the implementation of the Bank's corporate governance framework.

The Board of Directors is comprised of three (3) Independent Directors, three (3) Executive Directors and one (1) Non-executive Director.

An Independent Director (ID) refers to the member of the Board of Directors who does not hold a material share or does not have ties to the Bank's current way of doing business. They also do not have any relationship with the Bank or its related parties. They bring with them specific expertise gained from their previous work and/or personal experiences.
More importantly, the Independent Director promotes corporate governance to raise investor's confidence and to protect the interest of all stockholders.

The Non-executive Directors (NED) are directors who are not part of the day-to-day management of the Bank's operations. They contribute to the formulation of strategies and policies of the Bank to accelerate progress and to ensure it meets the overall objectives of the Bank. The NEDs also possesses strong independent judgment and actively participate in the proceedings and decision making process of the Board. It includes the independent directors, however not all NEDs are considered independent directors.

The Executive Directors (ED) are the directors who are responsible for steering the organization and directing the management of the implementation of Board-approved policies, procedures, strategies, and initiatives.

The Chairman of the Board of Directors is elected by the majority of the Board members and shall provide leadership in the Board of Directors. He shall ensure 1) that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns; 2) that there is sound decision-making process; 3) that dissenting views can be expressed and discussed within the decision-making process; 4) that members of the Board of directors receive accurate, timely, and relevant information; 5) encourage and promote critical discussion; 6) lead the proper orientation for first-time directors and provide training opportunities for all directors; and 7) ascertain the conduct of performance evaluation of the Board of Directors at least once a year.

The Chairman of the Board also ensures that the Bank's responsibility to promote the best interest of the shareholders is fulfilled. Consequently, he is responsible in inculcating accountability among the officers and is equally accountable for the management of the officers.

BOARD COMPOSITION

As of December 31, 2021

	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	20	49,969,988	9.99400%
2	Ramon B. Manzana	ED (Managing Director)	N/A	20	25,124,568	5.02491%
3	Luis M. Chua	ED (President)	N/A	4	10	0.00000%
4	Victor C. Ongtenco****	Executive Director	N/A	.5	49,962,094	9.99242%
5	Alfredo P. Pineda	ID (Independent Director)	N/A	13	474	0.00009%
6	Shirley M. Sangalang***	ID (Independent Director)	N/A	.75	1	0.00000%
7	Sofia C. Ladores****	ID (Independent Director)	N/A	.5	1	0.00000%
	Ma. Rodora E. Banares**	Director	N/A	11	0	0.00000%
	Corazon De Los Santos*	ID (Independent Director)	N/A	6	0	0.00000%
	Imelda S. Singzon**	ID (Independent Director)	N/A	4	0	0.00000%

** Replaced as member in March 2021*
*** Replaced as member in June 2021*
**** Appointed as member in April & June 2021*
***** Appointed as member in June 2021*

6. Corporate Governance

Directors' Attendance at Board and Committee Meetings

JANUARY–DECEMBER 2021	BOARD MEETING No. of meetings: 13		CORPORATE GOVERNANCE COMMITTEE No. of meetings: 11		EXECUTIVE COMMITTEE No. of meetings: 11		AUDIT AND COMPLIANCE COMMITTEE No. of meetings: 15		RISK OVERSIGHT COMMITTEE No. of meetings: 18		RELATED PARTY TRANSACTION COMMITTEE No. of meetings:12	
Composition	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage
Thomas C. Ongtenco	13	100%										
Ramon B. Manzana	13	100%			11	100%						
Luis M. Chua	13	100%			11	100%						
Alfredo P. Pineda	13	100%	11	100%			15	100%	18	100%	6	100%
Corazon S. de Los Santos*	3	100%	3	100%			4	100%			3	100%
Shirley M. Sangalang***	10	100%	8	100%			10	100%	5	83%	9	100%
Ma. Rodora E. Banares**	6	100%	5	100%					12	100%		
Imelda S. Singzon**	6	100%					9	100%	12	100%	6	100%
Victor C. Ongtenco****	7	100%			5	100%						
Sofia C. Ladores****	6	86%	6	100%			6	100%	6	100%	6	100%

** Replaced as member in March 2021*
*** Replaced as member in June 2021*
**** Appointed as member in April & June 2021*
***** Appointed as member in June 2021*

BOARD-LEVEL COMMITTEES	MEMBERS	FUNCTIONS

Executive Committee (EXCOM)

EXCOM	Jan 1–Jun 30, 2021	Jul 1–Dec 31, 2021
Mr. Ramon B. Manzana	Chairperson	Chairperson
Mr. Luis M. Chua	Member	Member
Mr. Victor C. Ongtenco		Member

The Executive Committee is the highest credit decision-making body appointed by the Board within the Bank. The EXCOM reviews the Bank's Corporate plans and strategies that may be endorsed by the various committees to the EXCOM for approval.

The Committee is also responsible for the review and approval of the credit policies and evaluate loan proposals in excess of the authority delegated to the Senior Credit Committee and works directly with the Risk Management Group to ensure that the overall credit risk of the Bank is properly managed.

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 EXCOM meeting is being held monthly. Additional meetings may be convened as required upon agreement of all members.

Corporate Governance Committee (CGC)

CGC	Jan 1–Jun 30, 2021	Jul 1–Dec 31, 2021
Ms. Corazon S. De los Santos*	Chairperson (Jan-Mar 2021)	
Atty. Alfredo P. Pineda*	Member	Chairperson
Ms. Ma. Rodora E. Banares	Member	
Ms. Shirley M. Sangalang*	Chairperson (Apr-Jun 2021)	Member
Ms. Sofia C. Ladores*		Member

The Corporate Governance Committee shall oversee the implementation and effectiveness of the Bank's Corporate Governance program.

The Corporate Governance Committee shall also evaluate the qualifications of all persons nominated to the Board as well as the nominations of other positions requiring appointment by the Board of Directors, recommend succession plan for the members of the Board and Senior Management, and review the remuneration and incentive policy of the Bank.

The Committee shall also oversee the periodic contribution and performance evaluation of the Board and Board-level Committees and Senior Management.

The Committee shall also ensure that there is sufficient time and resources allocated for the continuing education of directors.

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 on a monthly basis.

Risk Oversight Committee (ROC)

ROC	Jan 1–Jun 30, 2021	Jul 1–Dec 31, 2021
Ms. Imelda S. Singzon*	Chairperson	
Atty. Alfredo P. Pineda*	Member	Member
Ms. Ma. Rodora E. Banares	Member	
Ms. Sofia C. Ladores*		Chairperson
Ms. Shirley M. Sangalang*		Member

The Risk Oversight Committee shall oversee the enterprise risk management framework of the Bank. The Committee shall ensure that the current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite. It shall also ensure that the risk management function has adequate resources and effectively oversees the risk taking activities of the Bank.

The ROC is composed of three (3) members of the Board, who are independent directors, including the chairperson. The ROC members are appointed by a resolution at a meeting of the Board of Directors. The ROC meets at least once a month or as needed.

Board Audit and Compliance Committee (BACC)

BACC	Jan 1–Jun 30, 2021	Jul 1–Dec 31, 2021
Atty. Alfredo P. Pineda*	Chairperson	Member
Ms. Imelda S. Singzon*	Member	
Ms. Corazon S. De los Santos*	Member (Jan-Mar 2021)	
Ms. Sofia C. Ladores*		Member
Ms. Shirley M. Sangalang*	Member (Apr-Jun 2021)	Chairperson

The Board Audit & Compliance Committee is a sub-committee of the Board that provides effective oversight of external and internal audit functions including insourcing and outsourcing of internal audit activities, ensure transparency and proper reporting with emphasis on the reports integrity, timeliness and compliance with standards. The Committee shall also ensure that the Bank is in compliance with Bank policies and applicable laws, rules and regulations, and code of conduct and to ensure that adequate and effective internal controls are in place.

The BACC is composed of three (3) Independent Directors, who are appointed by a resolution at a meeting of the Board of Directors. The BACC meeting is being held on a monthly basis.

Related Party Transaction Committee (RPTC)

RPTC	Jan 1–Jun 30, 2021	Jul 1–Dec 31, 2021
Ms. Corazon S. De los Santos*	Chairperson (Jan-Mar 2021)	
Atty. Alfredo P. Pineda*		Chairperson
Ms. Imelda S. Singzon*	Member	
Ms. Ma. Rodora E. Banares	Member	
Ms. Sofia C. Ladores*		Member
Ms. Shirley M. Sangalang*	Chairperson (Apr-Jun 2021)	Member

The Related Party Transactions Committee is responsible in ensuring that related parties are handled in a sound and prudent manner and in compliance with applicable laws and RPT regulations to be certain that transactions are conducted on an arm's-length basis.

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 meeting is being held on a monthly basis.

*Independent Director

Major Stockholders

NAME OF STOCKHOLDER		NATIONALITY	COMMON SHARE	PERCENTAGE OF STOCKHOLDINGS
1	Sio Yok C. Ongtenco	Filipino	49,979,379	9.99588%
2	Alex C. Ongtenco	Filipino	49,976,590	9.99532%
3	Thomas C. Ongtenco	Filipino	49,969,988	9.99400%
4	Paulino C. Ongtenco	Filipino	49,967,463	9.99349%
5	Helen C. Ongtenco	Filipino	49,962,053	9.99241%
6	Victor C. Ongtenco	Filipino	49,962,094	9.99242%
7	Christine C. Ongtenco	Filipino	49,962,042	9.99241%
	Teresita O. Sy	Filipino	49,962,042	9.99241%
8	Motortrade Life and Livelihood Assistance Foundation, Inc.	Filipino	47,468,920	9.49378%
9	Ramon B. Manzana	Filipino	25,124,568	5.02491%
10	Lucilla O. Manzana	Filipino	24,847,073	4.96941%
11	Vicente N. Ongtenco	Filipino	2,498,364	0.49967%
12	Amor Fe Lee	Filipino	134,810	0.02696%
13	Desmond Chan	Filipino	134,800	0.02696%
14	Olga Retulin	Filipino	12,894	0.00258%
15	Belen Coronado	Filipino	10,379	0.00208%
16	Esteban Silva	Filipino	5,094	0.00102%
17	Audrea Cabalquinto	Filipino	2,610	0.00052%
18	Carl Anthony Mariano	Filipino	2,273	0.00045%
19	Elizabeth Berber	Filipino	1,294	0.00026%
	Nenita Campo	Filipino	1,294	0.00026%
20	Virgilio Tabora	Filipino	1,126	0.00023%

PERFORMANCE ASSESSMENT PROGRAM

Board of Directors and Board-level Committees

The Board has created an internal self-rating system and procedures to determine and measure compliance with the Corporate Governance vis-à-vis good corporate governance principles and practices, through this (i) Each Director conducts a self-assessment and at the same time collectively perform evaluation for the Board, the President, and the Chairman of the Board, (ii) Corporate Governance (CGC), Board Audit and Compliance (BACC), Risk Oversight (ROC), Related Party Transactions (RPTC) and other Board-level Committees evaluate and rate themselves to gauge their performance as members of the Board of Directors as well as the effectiveness of the Board as a body. The CGC facilitates the evaluation on an annual basis. This exercise covers the assessment of the ongoing suitability of each board member taking into account his or her performance in the Board of Directors and Board-level Committees.

A self-assessment questionnaire is provided to each director as a tool to measure the effectiveness of their governance. The questionnaire includes relevant questions that will reflect the specific strengths and at the same time will identify areas of improvement. The questionnaire also provides for evaluation criteria which are primarily focused on the structure, efficiency, and effectiveness of the board as well as the participation, contribution, and engagement of each member to their respective Committees. The criteria also reflect the specific duties, responsibilities, and accountabilities of each board member which are assessed in line with the Bank's By-laws, Manual of Corporate Governance, committee charters, and other governing policies.

Based on the actual performance the Board member shall indicate on the Performance Evaluation Questionnaire its rating from a scale of 1-10 (the lowest being not observed and the highest being largely observed). The summary of the results of the performance evaluation is reported to the Board of Directors. The Bank considers its people as its most important resource that will drive productivity. To support this, the Bank institutionalizes performance management through its Performance Management Development System (PMDS) where individual targets are quantified and set as basis for individual performance evaluation, using five (5) layers of rating structure. As a management tool, the Bank's Performance Management Development System (PMDS) does not end in typical appraisal rating alone as it is directly linked to 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 all employees including its senior management team, are expected to undertake performance evaluation through its online performance appraisal facility.

ORIENTATION AND EDUCATION PROGRAM

The Board of Directors as a group and as an individual director should have sufficient knowledge relevant to the Bank's activities to aid them in their governance and oversight of the Bank. For this reason and pursuant to the Corporate Governance policies, the CGC makes recommendations to the Board regarding the continuing education through attendance to trainings provided by the Bank and external service providers accredited by the BSP and SEC. The newly appointed First Time Directors are provided with on-boarding Orientation Program conducted by the Bank. In addition, said first time directors are scheduled for a Corporate Governance seminar which is conducted by a duly recognized private or government institution that is accredited by the Bangko Sentral ng Pilipinas, within six (6) months after appointment. The Bank also provides the first time directors with a copy of the general responsibility and specific duties and responsibilities of the board of directors and of a director.

The Board members together with Management are required to attend a continuing Corporate Governance training covering the areas of Corporate Governance. In addition, the Bank also provides training, basic and refresher, for its employees on AML education that enables them to be fully aware of the said law and its implementing rules and regulations. The AML training program is customized/tailored fit according to the knowledge and competency needed for a respective position of new hires, staff, officers, senior officers.

RETIREMENT AND SUCCESSION POLICY

RETIREMENT POLICY – DIRECTORS

There is no age limit as to the determination on the fitness of a Director to be elected as member of the Board as long as the Director qualifies in the fit and proper rule that would assess his/her integrity/probity, physical and mental illness, education, competence, diligence and independence of mind, and sufficiency of time to fully carry out responsibilities.

The elected Independent Director may serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the Bank, but may continue to serve as regular director.

RETIREMENT POLICY – OFFICERS

The Bank's Retirement Policy sets the early retirement age at 50, normal retirement age at 55 and mandatory retirement age at 60 for all employees hired before January 14, 2011. Employees who were hired prior January 14, 2011 are covered by its old retirement policy where the normal retirement age is considered at 60 and mandatory retirement age at 65. in recognition of their contribution, service, and loyalty to the Bank, retirement benefits are provided to eligible employees who have reached their retirement age and service tenure as provided in the Bank's policy.

SUCCESSION POLICY

The Bank has a Board-approved Succession Plan which is designed to train and groom future officers that will serve as successors of current officers holding different critical positions within the Bank. The purpose of the succession policy is to ensure that there is a ready supply of internal talent and at the same time assess external talent for key positions to ensure continuity of business operations in the event of a position vacancy. The Succession Plan provides procedures and guidelines for the development of a potential successor/s that shall ensure a smooth transition to fill-out any temporary or permanent post.

The Bank's Management regularly meet with Group Heads and Department Heads to discuss capacity and succession plans. The results of the discussion are considered in the preparation of Annual Business Plans of each Group and Department of the Bank.

For the members of the Board, the Bank follows the BSP and SEC mandate on the term limit of Independent Directors.

REMUNERATION POLICY

The Board sees to it that remuneration policy and its implementation are regularly reviewed to ensure that it is aligned with the strategic and financial interest of the Bank at the same time to ensure its competitiveness in the market and industry practice. The Bank maintains a Salary and Job Classification Framework and Pay Structure which will provide a well-structured job grading and competitive pricing so that each employee is paid in accordance with his/her competencies, responsibility, and the level of contribution to the corporate goals in relation to other jobs within the organization.

The approved Salary Scale Design adopts an 8-point Salary Scale given to each corresponding job grade level. Based on directives of Corporate Governance, Management ensures to take a periodic review of the existing salary scale to ensure its competitiveness in the market. New positions may be added in the Salary and Job Classification Framework only upon proper job analysis, evaluation, and justification of the need for establishing the same and upon approval of the Management.

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

The Bank grants fixed bonuses, such as 13th month pay which is in accordance with the Law and 14th month pay as an additional benefit given to all regular employees of the Bank as of November 30th of the current year. A performance bonus, which is a variable benefit, is given to regular employees based on the Bank's performance and on individual employee's performance for the preceding year.

As stated in the Bank's By-Laws, no compensation shall be paid to any director; however, it may be allowed to provide reasonable honoraria in recognition of their contribution and attendance during meetings. The total annual compensation of Directors for their attendance in Board and Board-level Committee meetings for the period of January to December 2021 was Php 3,530.000.00

POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

The Bank's transactions with related parties are conducted in the ordinary course of business and not undertaken based on economic terms favorable to such related parties or with non-related parties. The Bank has a Board-approved related party transaction (RPT) policy which articulates the vetting procedures and price discovery mechanism in handling RPTs.

The Bank acknowledges that a related party transaction (RPT) may result to a conflict of interest, thus, the Board has appointed the Related Party Transaction Committee (RPTC), which is composed of independent directors, to ensure that all transactions with related parties, affiliates, directors, officers, stockholders, and related interest (DOSRI) are handled in a sound and prudent manner and in compliance with applicable laws and regulations. The RPTC 's duties and responsibilities include evaluation of existing relationships between and among businesses and counterparties and to identify, measure, monitor and control risk arising from RPTs.

The RPTC also ascertains that appropriate disclosures relating to the Bank's RPT policies and actual transactions are reported to the Board of Directors on a regular basis. It includes the status, aggregate exposures to each related party, total amount of exposures, and write-offs. Moreover, the Bank's Internal Audit Group regularly conducts periodic review to ensure the effectiveness of RPT policies of the Bank.

As reflected in the Bank's Material RPTs Report from April to June 2021, BMI completed the Disposal of Investment and Sale of BMI Finance Corp. (BFC) shares amounting to Php 971,405,253.00.

Note: RPTs are also reflected in the Notes to the AFS

SELF-ASSESSMENT FUNCTION

The Internal Audit Group (IAG) in collaboration with BMI's Management assists in the achievement of the bank's business goals and objectives. The Group provide independent appraisal, analysis, counsel related to identification and implementation of internal controls, recommendations for enhancements that improve efficiency and effectiveness of business functions, compliance with existing laws and assessment and management of business risks. IAG ensures that BMI's business unit operations, systems, processes and activities are periodically reviewed and that the results of the review are communicated to the Board of Directors thru the Board Audit and Compliance Committee, the Management and the concerned Departments/Units.

Similarly, the Bank's Compliance Group (CG) ensures that the Bank complies with relevant rules and regulations. In turn, they report the regulatory developments to the Board and Senior Management. The Group also ensures that compliance risks are identified and mitigated by conducting periodic compliance testing, performing AML transactions monitoring and analysis, and strictly implementing the RPT policies. Compliance activities are regularly reported to the Board of Directors thru the Board Audit and Compliance Committee (BACC) and the Related Party Transactions Committee (RPTC) are adequately reported to the Board of Directors through the Board Audit and Compliance Committee (BACC) and the Related Party Transactions Committee (RPTC).

Note: Role, mandate, authority, and reporting process of IAG and CG are articulated in the BACC Chairperson's message

DIVIDEND POLICY

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

On February 9, 2021, the Bank has declared a cash dividend on common shares amounting to Php 2.0 billion to stockholders of record as of February 28, 2021. These were fully paid on March 26, 2021.

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

In alignment with the Corporation Code of the Philippines, the Bank shall treat all shareholders fairly and equitably and also recognize, protect and facilitate the exercise of their rights (to vote, pre-emptive right, to inspect the books and records of the Bank, to information, dividend and appraisal) through its Board of Directors.

It is the Board's duty to remove impediments to the exercise of their rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

BMI recognizes that it has the Corporate Social Responsibility (CSR) to contribute to the economic development and improvement of the people's quality of life in communities needing support, specifically in the areas of education, health, family life, child care, livelihood, sports development and environmental stewardship. CSR projects or activities are initiated by the Bank or in partnership with a foundation or a non-governmental organization (NGO).

The Bank is dedicated in ensuring that there are positive social and environmental effects associated with the way its business operates. The same is made inherent in its mission, vision and brand management.

RISK OVERSIGHT COMMITTEE

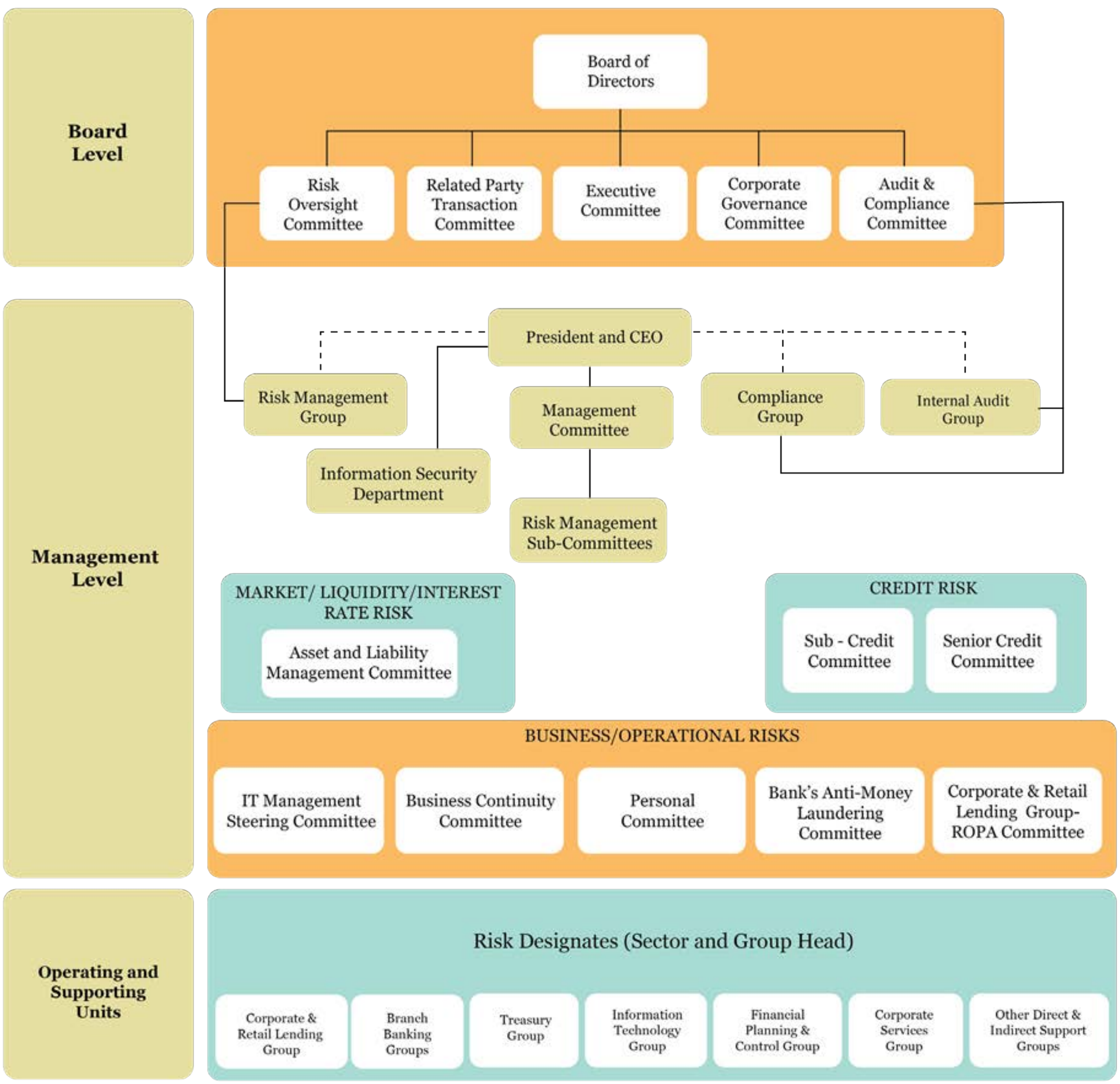
RISK GOVERNANCE

Risk in banking operations cannot be eliminated totally but it can be managed through appropriate risk governance. The entire Board of Directors ("the Board") collegially directs and governs the business affairs of Bank of Makati (A Savings Bank), Inc. (BMI). The Board focuses on long-term sustainability and is responsible for managing the risks assumed by the Bank. The Board also sets the Bank's risk appetite based on its business objectives and provides clear guidance on the acceptable level of risks of various operating units.

The BMI Board is composed of executive, non-executive and independent directors with the right mix of expertise. Board Committees are created to focus on specific areas such as Corporate Governance Committee (CGC), Related Party Transactions Committee (RPTC), Board Audit and Compliance Committee (BACC) and Risk Management Committee (ROC). Despite of their functional differences, strong interface and link exist among these committees.

CGC's high level role is to oversee the Bank's corporate performance while looking after the interest of the stakeholders. RPTC monitors BMI's transactions with its related parties and ensures that all are at arm's length while BACC performs independent key verification functions, checks for infringement and non-compliance with statutory and internal controls. ROC focuses and dedicates effort to strengthen risk governance. To ensure that there are consistent, coherent and rational risk policies, procedures, controls and infrastructure, strong collaboration is fostered among the BMI Board, CGC, RPTC, BACC, ROC and the Management committees.

The bodies which handle the risk oversight function are: the Board, ROC and the Risk Management Group (RMG). Their respective roles and responsibilities for fulfilling their functions are clearly defined in the RMG manuals which state the risk types encountered by the Bank. The Internal Audit Group determines how well the risk management processes have been performed while the Board, ROC and BACC jointly take the lead in controlling and managing the IT and Information Security Risks. Below is the Table of Organization of BMI Risk Governance.



Risk Oversight Committee (ROC)

ROC performs as an independent oversight board-level committee who is responsible in managing all risks encountered by the Bank. Members of the ROC are all Independent Directors who have the right mix of knowledge, integrity and commitment. ROC does not handle day-to-day risk management but it ensures that all delegated risk management responsibilities are carried out effectively and efficiently by RMG and the Management.

Responsibilities of the ROC include:

- Review and endorse to the Board the RM framework and risk policies recommended by Management and RMG.

- Analyze the appropriateness of prudent risk appetite/limits recommended by RMG and Management and endorse same to the Board for approval

- Ensure that observations and suggestions of BSP and BMI auditors are resolved

- Integrate corporate responsibility in risk taking-activities by ensuring that the level of risk assumed by business units is within the intended risk appetite and is supported with adequate capital.

- Ensure that effective procedures are implemented to identify, assess, control & manage risk

- Ensure that required infrastructures a reset-up such as RM software, hardware, sufficient and accurate data, balance risk culture and qualified personnel.

- Monitor the Bank's risk management performance based on industry standards through regular review/analysis of RMG and Management reports during ROC meetings.

Consequently, the Risk Management Group (RMG) acts as the working arm of ROC. It perform daily risk-taking oversight functions/activities and see to it that all transactions of BMI Management are consistent with Board-approved mission, vision, strategy and prudent risks limits.

On the other hand, the ROC Secretariat maintains the Committee's Minutes of the Meetings (MOM) which documents their decisions, key discussions and directives. It is the ROC Secretariat's responsibility to preserve all the records of the Committee with the required level of due diligence on information security. They also ensure that ROC directives are closely monitored and being complied by the concerned business unit.

BMI Risk Management Culture

Basic Risk Management Literacy. The risk management culture of the Bank is focused on implementing the "Basic Risk Management Literacy" from the BMI Board of Directors down to its branch personnel. BMI's senior management ensures that employees have risk awareness, assumes ownership and manages risk in their respective jobs. To support the continuing education of its Risk Management Group, the Board sends them to seminars and encourages them to join various associations of risk professionals.

Tone at the Top. The BMI Risk Management ethical culture is based on a top-down process where risk policies, risk appetite, acceptable limits and procedures are directed by the Board and the upper management. To ensure organizational alignment, it is cascaded to the employees in a timely manner.

Be prepared, Not Reactive. Last 2021, the Board approved the enhancement of the Bank's Business Continuity Plans (BCP) which proposed a holistic, proactive response to various risk events such as the pandemic. The revised BCM framework highlights the role of the Board and its objective to attain organizational resilience (continue the Bank's operations and to protect its employees) during crisis.

Risk Management Philosophy

Bank of Makati's Risk management philosophy is anchored on a strong risk management culture. It is rooted in shared principles and consistent risk attitudes that are prevalent in the activities of the Bank. The philosophy affects how risk management components are applied, identified, assessed and managed. BMI adheres to the following RM Philosophy:

Risk Awareness & Accountability. All BMI employees, officers, senior management and members of the Board are risk-owners and are all accountable for the risks associated with their day-to-day tasks. At BMI, risk management is everyone's concern.

Transparency. All BMI employees are obliged to adhere to the risk transparency principle. Timely disclosure of risks to the appropriate bodies must be ensured for early rectification and control of damage.

Balance of Risk and Reward. BMI adopts the risk philosophy where business-generating departments are mandated to only venture into business opportunities that are within the Bank's risk capacity and risk limits. Business units of BMI are authorized to create risk assets (loans and investments) that would generate target income without sacrificing the sufficiency of the Bank's capital and reputation.

Similarly, the support offices are required to perform their daily tasks with minimal losses or error (that are within the risk appetite of the Bank) or errors or better if no risk at all.

Risk Management Framework

To fulfil its risk oversight function, ROC, RMG and individual risk owners follow the standard iterative RM Framework instituted by Basel and BSP. Below is the rationale for the chronological "IAMCM Framework" adopted by BMI.

Identify risk – Individual risk owner at BMI performs the process of recognizing, describing the nature of the potential risk and determining its root cause.

Assess risk – BMI risk owners perform risk evaluation by identifying potential risks, the likelihood of its occurrence and quantifying its impact. The amount of potential loss determines the level of Management's attention and concern to address a specific risk.

Manage & **C**ontrol Risk - With the assistance of RMG, risk owners perform risk treatment and proactive controls to avoid the potential risk. Proactive controls include board-approved risk policies and procedures.

Monitor – it is the process of determining if the policies and controls approved by the Board and other ROC directives are effective and efficient. Below is the illustration of BMI "IAMCM Framework".

In addition, to manage risk on a bank wide view, BMI adopted the standard three-line of defense system:

- Front Liners - Risk Takers perform the first-line of defense upon knowledge and identification of risk and conduct appropriate rectification and controls of same.

- Independent risk oversight and compliance function – RMG and Compliance Group acts as the second-line of defense and they perform oversight of BMI-wide risk management.

- Internal Audit Group – As the third-line of defense, IAG provide independent assurance that the BMI's risk management processes are operating effectively and efficiently.

The above framework is an integral part of BMI's corporate governance which seeks to codify all important tasks based on its operating significance and suitable manpower resources.

Risk Management Process on Strategic Level

BMI adopts the following risk management process in managing risk on strategic level suggested by Basel.

1. Avoid Risk
2. Transfer Risk
3. Mitigate Risk
4. Accept Risk

Risk Management Communication Framework

Bank of Makati's Risk Management Communication Framework follow the vertical (i.e., top-down and vice versa open flow of information) and horizontal flow of information (e.g., inter-department memos and meetings). The Board's directions, policies and appetite are cascaded to Management and business units in the form of circulars. Management, on the other hand, communicates to ROC and Board via proposals and regular reports.

The three main components of the framework are:

1. For front liners, the most effective communication method is still through policies and limits. Frontliners are guided whether the risks they assume are within the risk capacity of BMI through clear policies and reasonable risk limits. Formal feedback from the frontliners to the risk oversight body is coursed through the monthly ROC meeting. To expedite resolution, immediate and direct communication of risk issues and problems, if warranted, is encouraged.

2. The second component emanates from an independent risk oversight body, i.e. the RMG, which is tasked to spearhead the implementation of board-approved policies and reports directly to the Board through the ROC. Exceptions and deviations to policies and risk limits are reported to the Board for assessment and approval. Policy deviations and exceptions escalations are clearly defined in the manuals of all departments of RMG.

3. The third component concerns transparency. This involves compliance to the third Basel pillar that requires timely communication of the risk profile of the BMI to its stakeholders, regulators, internal auditors, affiliates and counterparties.

BMI Risk Capacity, Appetite & Limits

The BMI's overall risk capacity is based on quantified risks that were derived through various measurements and the impact of which is within BMI's available capital. Risk policies and limits are meant to prevent measurable losses from eroding capital beyond the minimum level set by the BSP.

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

The IT Risk appetite statements as approved by the Board expressed the level of unacceptable IT and Information Security risk which include events that may breach and lead to the confidentiality and integrity of sensitive information. BMI does not tolerate IT Asset unavailability which affects the core banking operations hence, a threshold of 99.95% availability is maintained at all times.

2021 Risk Management Initiatives

Credit Risk Management Department (CRMD)

The organizational structure of CRMD was revisited to enhance its risk management and governance and to set clear roles and responsibilities. The revised structure resulted in streamlined processes and standardization of job functions.

Credit Key Risk Indicators (KRIs) were enhanced to improve the credit risk management dashboard. The KRIs were identified using the COSO Framework (which provided techniques to develop effective KRIs) and was linked to each of the BMI's top risks.

CRMD included strategic projects in its pipeline, particularly the recalibration of vintage analysis and Expected Credit Losses (ECL) and the development of credit stress testing models. This will ascertain that machine-learning models will lead users to reliable risk understanding and sound business decisions.

BMI applies credit risk mitigation strategies to reduce the number of non-performing assets and to control the probability that borrowers will default on their loans. BMI also effectively monitors and maintains the quality of its portfolio, as it conducts impairment review to assure proper loan classification and to set up valuation of its reserves. As of Dec 31, 2021, the BMI's net Non-Performing Loan (NPL) stood at Php2.04 Billion or 6.25% of the gross total Loan Portfolio of Php32.6 Billion.

Market & Liquidity Risk Management Department (MLRMD)

The MLRMD Manual was amended to comply with BSP Circular 1044, otherwise known as the Interest Rate Risk in Banking Book. Basis of risk limits were revised from previous year's target income to current year's target income. Additionally, Bloomberg-based daily VAR and back testing were conducted in November 2021.

Operations Risk Management Department (ORMD)

Operational Risk Management being the subset of Enterprise Risk Management includes reiteration of the business units' risk ownership and responsibility over operational risk management tools.

For 2021, BMI ORM policies and tools were enhanced (e.g. Loss Events, RCSA, KRI, etc.) to align with regulatory requirements and to effectively and timely manage the operational risks of the Business Units and quantify their potential losses.

Correspondingly, Business Units developed their first individual Business Continuity Plans (BCP) that would strengthen their risk mitigation against business disruptions and will be subject to yearly updates and improvement.

ORMD engaged the Functional Risk Advocates (FRA) in crafting action plans whenever Loss Events are reported. They also conducted training on Operational Risk Management based on BSP Circular 900 across all business units to increase operational risk management awareness.

IT Risk Management Section (ITRMS)

The Risk and Control Self-Assessment (RCSA) and Information Security Risk Assessments (ISRA) were implemented to assess IT risk to level-up the BMI's risk awareness level and enable more efficient monitoring. Key Risk Indicators (KRIs) were improved to reflect actual occurrences of risk events and incidents across different IT and Information Security functions.

PILLAR 1 RISKS		
Type of Risk	**BMI's Risk Management Proactive Approach, RM Tools & Reports**	**Risk Owners**
Credit Risk	• Loan Portfolio Quality Monitoring Report (Actual vs. Targets) – Asset quality Indicators (PD, NPL, NPA) – Coverage Ratios – Restructured Loans • MCL Loan Monitoring – Non-Starters – Roll Rates • Non-MCL Loan Monitoring – Portfolio composition – Asset Quality Indicators • Credit Concentration Monitoring (Top 80 Borrowers, by Industry, by Region) • Limits Monitoring – Large Exposure Limit – Single Borrower's Limit – DOSRI Limit – Real Estate loans Limit • Performance of Partially Secured and Unsecured (Clean Loans) • Capital Adequacy Ratio • Stress Testing • Post-Credit Review	**1st Line of Defense** *Marketing* Corporate and Retail Lending Group (CRLG) *Support* Loans Operations Group-Corporate (LOG-C) and Loans & Treasury Operations Group (LTOG) *Credit Evaluation* Credit Management Division (CMD) and Branch and Central Operations Division (BCOD) *Remedial Actions* Repo Management and Disposal Group (RMDG), Remedial Collection Division (RCD) and Legal Group (LG) **2nd Line of Defense** Risk Management Group (RMG) Compliance Group (CG) **3rd Line of Defense** Internal Audit Group (IAG)
Market Risk Liquidity Risk Interest Rate Risk Equity Price Risk	Market Risk •Daily VAR reports with back testing •Annual Stress testing of investment •portfolio on its impact on income and CAR Liquidity Risk •Monthly summary of MLR and MCO and stress testing Interest Rate Risk •Monthly Interest Rate Repricing Gap and Earnings-at-Risk reports) Equity Price Risk •Economic Value Estimate (EVE) is still being developed	**1st Line of Defense:** Treasury Group (TG) Financial Planning and Control Group (FPCG) *Support* Lending and Treasury Operations Group (LTOG) **2nd Line of Defense:** RMG CG **3rd Line of Defense:** IAG
Operations Risk People Risk Process Risk Business Disruption Risk	General Operational Risks •Loss Event Report •Loss Database •Key Risk Indicators (KRIs) •Risk and Control Self-Assessment (RCSA) People Risk •Training on Operational Risk Management Awareness •Reputational Risk Monitoring •Adherence to written BMI Code of Ethics duly acknowledged by each employee	**1ST Line of Defense** All Business Units Human Resources Department (HRD) and Learning and Development Department (L&DD) **2nd Line of Defense** RMG CG **3rd Line of Defense** IAG

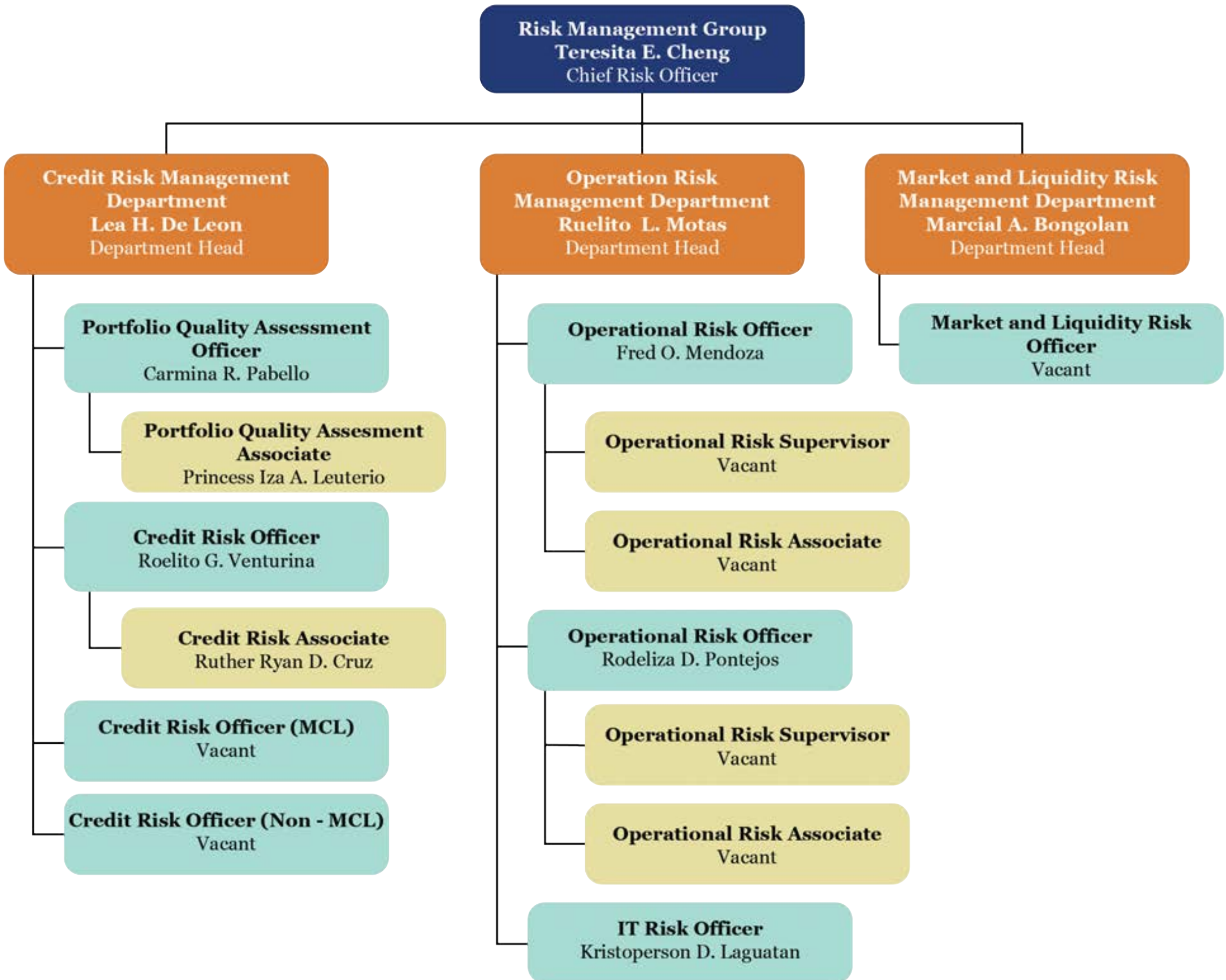
	PILLAR 1 RISKS	
Type of Risk	BMI's Risk Management Proactive Approach, RM Tools & Reports	Risk Owners
	Process Risk •Outsourcing Vendor Risk Management Program (OVRM) •Process, Risk and Control Mapping Business Disruption •Business Continuity Management Program •Call Tree Testing •Business Continuity Plan/Disaster Recovery Testing	
IT Risk IT Management Risk IT Capacity Risk IT Confidentiality Risk IT Availability &Continuity Risk Technology Implementation Risk IT Integrity Risk Cyber Security Risk	Risk management tools applicable to all types of IT risks: •Information Technology (IT) Risk Management Framework •Risk and Control Self-Assessment (RCSA) for IT and ISD. •Monitoring IT KRI Trending and Scoring •System Project Monitoring Report •IT and IS Incident Reporting •Information Security Risk Assessment (ISRA) •Information Security Awareness Program •Information Security Risk Profile •Audit Risk Assessment Methodology •Audit Program Guides •IT Audit Rating Methodology Pro-active approach to control/manage the specific IT Risks are: IT Management Risk •IT Strategic Plan •Information Security Strategic Plan •IT Governance Policy •IT Capacity Management Framework •Training of IT Personnel •IT Vendor Management and Performance Monitoring •Service Level Agreement •Sufficient insurance coverage for IT fixed assets IT Capacity Risk • IT Capacity Planning and Management • Technology Refresh Policy	1ST Line of Defense All Business Units Information Technology Group (ITG) Information Security Department (ISD) 2nd Line of Defense RMG CG 3rd Line of Defense IAG

	PILLAR 1 RISKS	
Type of Risk	BMI's Risk Management Proactive Approach, RM Tools & Reports	Risk Owners
	<u>IT Confidentiality Risk</u> • Information Security Framework • Information Security Policy Manual • Physical, Facility/Environmental Security and Management • Identity and Access Management <u>IT Availability/Continuity Risk</u> • IT Disaster Recovery Plan • Setting-up of Back-up Site • Data Back-up and Recovery <u>Technology Implementation</u> • System Development Life Cycle • System Acquisition Standards • Service Delivery Standards • Creation of Project Team/Management Sponsor for individual IT Projects • Change Management Policy • Skills Training & Technology Transfer • Regular Systems Testing • Closing the gaps between Business requirements and acquired software application • Post-Implementation Review for Lessons Learned <u>IT Integrity Risk</u> • Data Governance/Data Accountability <u>Cyber Security Risk</u> • Vulnerability Assessment & Penetration Testing (independent third party and internal VA) • Multi-layered network security devices and systems (e.g. cameras, firewall, antivirus,network segmentation, demilitarized zone)	

PILLAR 2 RISKS		
Type of Risk	BMI's Risk Management Proactive Approach, RM Tools&Reports	Risk Owners
Legal Risk	Legal Documentation Risk • Use of standard document templates such as Loan Agreement, Promissory Note, REM, etc. • Review of legal contracts before they are signed by the authorized signatories • Update policies and standard documents to keep up with the legal developments Litigation Risk • Monitor cases and deadlines for legal action by maintaining a central database of all cases. • Follow up with the courts and tribunals on the status of cases • Update internal policies for compliance with the rules of procedure, as needed • Keep abreast with the updates on laws, rules and procedures that affect the conduct of litigation.	**1ST Line of Defense** **All Business Units** **Legal Group** **2nd Line of Defense** **RMG** **CG** **3rd Line of Defense** **IAG**
Data Privacy Risk	• Use of standard document template such as Data Sharing Agreement, Incident breach register, etc. • Monitor regularly data privacy incidents/ breaches • Review legal contracts to manage third party privacy risk. • Update data privacy policies and procedures to ensure compliance with the Data Privacy Act (DPA) of 2012. • Implement training and capacity building for employees on DPA of 2012	1ST Line of Defense Data Privacy Officer All Business Units HRD & LDD 2nd Line of Defense RMG CG 3rd Line of Defense IAG
Reputational Risk	• Uphold and maintain the culture of honesty and integrity of all BMI employees through constant HR reminders, education and training • Creation of the Consumer Assistance Section tasked to attend to/resolve customer complaints within 7 to 45 days TAT, depending on the complexity of the client's issue. • Render immediate and decisive management action on fraudulent cases involving BMI employees. • Monitor potential negative news/posts against the BMI in social media, newspaper, public articles, television and radio.	1ST Line of Defense Communication Officer All Business Units HRD & LDD Customer Assistance Section (CAS) 2nd Line of Defense RMG CG 3rd Line of Defense IAG

	PILLAR 2 RISKS	
Type of Risk	BMI's Risk Management Proactive Approach, RM Tools&Reports	Risk Owners
Strategic Risk	• Conduct Business Planning to set annual targets for ROE, Net Income, Growth Rates and Asset Quality • Monitor the actual performance vs. target and adjust the target, if necessary. • Study of information/data relevant to the BMI's business • Review of BMI products to determine viability and risks of new products • Align IT strategic objectives with BMI mission/vision	1ST Line of Defense All Business Units CG 2nd Line of Defense RMG 3rd Line of Defense IAG
Compliance Risk	• Update the Board and the Management on relevant regulatory issues with impact to the BMI's operations • Disseminate compliance bulletin to all BMI employees regarding new regulations • Comply with the timely and complete submission of regulatory reports • Perform compliance testing • Update compliance policies to align with regulations • Ensure compliance with AML laws and regulations • Provide training on basic AML provision and new issuances on AML regulations • Maintain constructive relationship with BSP and other regulators	1ST Line of Defense All Business Units CG 2nd Line of Defense RMG 3rd Line of Defense IAG
Related Party Risk	• Ensure that BMI RPT policies are aligned with regulatory bodies • Update RPT database on DOSRI, Close Family Members and Affiliates • Quantify and monitor the overall exposure to all RPTs • Ensure that all RPT transactions are done on arm's length basis. • Comply with the approved vetting and approval process • Conduct Market Scanning as basis for RPT pricing	1ST Line of Defense All Business Units Compliance Group 2nd Line of Defense RMG CG 3rd Line of Defense IAG

Table of Organization of RMG



Role of the CRO

- Periodically monitor the adequacy and effectiveness of the RM systems to ensure that it accurately identify exposures and minimize risk.
- Conduct consultation with various units in order to add value and improve the risk management process of the BMI.
- Assist Management in accomplishing its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control and governance processes.
- Promote compliance with internal risk policies, laws, regulations and sound fiduciary principles.
- Provide the Board, through the ROC and the BMI's Senior Management, with relevant and timely information that will assist them in the effective discharge of their responsibilities.

Credit Risk Management Department (CRMD)

The CRMD manages credit risk in accordance with the Credit Risk Management Manual, the BMI's Credit Risk Appetite and governing regulations. The Department is tasked to:

- Ensure a consistent approach to credit risk management, as well as establish clear roles and responsibilities across the BMI.
- Ascertain that the risk-taking groups remain supportive of the BMI's business strategy.

The General Credit Risk Management Policies include the Credit Review Framework, Cure Period, and Loan Loss Provisioning for Business/Corporate Loans, Credit Stress Testing, Credit Key Risk Indicators and Large Exposures Monitoring.

Credit Exposure as of 31 December 2021

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	117,680,451	0%	-
Due from BSP	6,114,137,502	0%	-
Financial assets designated at fair value through profit or loss issued by Philippine National Government and BSP	-	0%	-
Available for sale financial assets issued by the Philippine National Government and BSP	4,096,507,513	0%	-
Held-to-maturity financial assets issued by the Philippine National Government and BSP	372,733,945	0%	-
Receivables arising from reverse repurchase agreements issued by the BSP	2,136,928,156	0%	-
Loans covered by hold out deposits	45,947,617	0%	-
Loans guaranteed by HGC	112,235,753	0%	-
Housing Loans fully secured by first mortgage- not classified as non-performing	368,953,172	50%	184,476,586
MSME Loans qualified for lower risk weight	1,857,191,427	50%	928,595,713
Housing Loans fully secured by first mortgage- classified as non-performing	14,705,045	100%	14,705,045
All other non-performing loans and debt securities	2,029,817,907	150%	3,044,726,861
Real and other properties acquired and Non-current assets held for sale, net of allowance for losses	570,876,550	150%	856,314,825
Net Other Assets	28,283,294,198	100%	28,283,294,198
	46,121,009,237		**33,312,113,228**

The CRMD prioritized addressing the exceptions noted by BSP on the documentation of Loan Loss Provisioning Procedure for Business Loans. CRMD determined the cure period for each loan product using migration analysis and prepared the technical documentation of the said policy.

Despite high attrition within CRMD, it managed and continued to deliver its mandate. The basic training and turnover modules on report generation were developed to ensure smooth transition and adoption by incoming CRMD personnel. Further,CRMD implemented a functional set-up instead of product approach. Cross-training was also instituted to increase workforce stability, promote team motivation and create growth opportunities.

CRMD wanted to provide timely key credit information and accurate and more meaningful reports to the Management, ROC and Board using Structured Query Language (SQL) which is faster and can handle credit data effectively. CRMD also exploited the advantages of SPSS IBM for data management and analysis. These tools reduced the turnaround time of data processing and aided CRMD in enhancing both report content and form. Consequently, CRMD strengthened its engagement with the concerned Groups involved in the BMI's data analysis and reports.

Market & Liquidity Risk Management Department (MLRMD)

Major functions of MRLMD are:

- Design, establish, document and update policies, procedures, metrics and assumptions on Market and Liquidity (ML) risk. Define risk appetite and limits in coordination with Treasury Group and revisit the same annually. 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.
- Report to CRO, ALCO and ROC on the level of market risk exposure and monitor daily VAR and perform back testing for all assets that carry a price/market risk.
- Comply with BSP recommendations to improve risk measurement tools and the assumptions employed therein.
- Conduct continuous training for MLRMD personnel.

Market Risk Exposure as of 31 December 2021

As of 31 December 2021, the BMI's market risk-weighted assets amounted to PhP588 Million, or only 1.29% of the total PhP45.6 Billion risk-weighted assets because large percentage of investments are concentrated at zero risk-rated Government securities.

BMI's interest rate risk in the banking book (IRRBB) was updated to comply with BSP Circular 1044. Also, daily VAR measurement was resumed during the year, using the Bloomberg platform.

Operations Risk Management Department (ORMD)

Operational Risk is defined as the risk of loss arising from inadequate or failed internal process, systems and people or from external events. Operational Risk Management (ORM) is an iterative process consisting of well-defined steps that support better decision-making by contributing a greater insight into risks and their impacts. It is a logical and systematic method of applying the SWOT (Strength, Weaknesses, Opportunity, Threat) Analysis, strategic risk assessment, identifying, analyzing, treating, monitoring and communicating risks associated with any activity, function, or process to optimize the trade-off between risk and return.

ORMD plays a vital role in establishing and implementing the BMI ORM Framework as an enabler of business growth. Major functions of ORMD include:

- Issuance of guidelines to all business units on consistent and adequate process and controls to manage operational risks.
- Establishment of the roles and responsibilities of the Board, ROC, RMG Management and staff of BMI in the management of operational risks.
- Identification of the mechanisms to determine operational risk profile, evaluate and accept 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.

Operational Risk Weighted Assets, as of December 31, 2021

NATURE OF ITEM	GROSS INCOME			AVERAGE
	Year 3	Year 2	Last Year	
Annual Gross Income	6,983,829,656	8,330,994,086	8,092,460,113	7,802,427,952
Capital Charge (Average Gross Income multiply by Capital Charge Factor of 12%)				936,291,354
Adjusted Capital Charge (Capital charge multiply by 125%)				1,170,364,193
TOTAL OPERATIONAL RISK-WEIGHTED ASSETS (Adjusted Capital Charge multiply by 10)				11,703,641,927

As of December 31, 2021, BMI's ORWA is Php11.704 Billion using the BSP CAR formula. Conversely, as of the same year, the actual losses of BMI is Php846,000.

IT Risk Management Unit (ITRMU)

ITRMU, under the Operational Risk Management Department, is responsible in the identification, measurement, monitoring and control of risks for IT business processes or IT service assets on a periodic basis.

The following policies are strictly observed by ITRMU, Information Technology Group (ITG), Information Security Department (ISD) and IT Audit Department (ITAD) to collectively perform IT Risk Management:

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

As the new normal conditions prevailed in 2021, ITRMU continued to support and provide oversight to ITG and ISD in ensuring that the BMI's systems and core technical services support the BMI's functions smoothly. ITRMU focused on remediation of inadequate or failed internal process, people, IT systems, and external events.

RCSA and ISRA were also implemented to raise the BMI's risk awareness level and to attain more efficient monitoring. KRIs was improved to reflect actual occurrences of risk events across different IT and Information Security functions. ITRMU supported the enhancement of IT and Information Security policies to strengthen the BMI's controls and align it with the IT and Information Security Strategic Plans. Independent reviews were regularly conducted by ITAD and external auditors, to ensure controls and risk mitigation were in place and functioning effectively and efficiently.

As the year ended, enhancements in the IT infrastructure were initiated to support the "customer-centric" vision of BMI. With this in mind, BMI will maximize its innovative, responsive and engaging technology to meet the needs, sustain the satisfaction and continuously improve its customers' experience across all of its touch points.

CONSUMER PROTECTION PRACTICES

Bank of Makati (A Savings Bank), Inc.'s (BMI) Financial Consumer Protection Framework is based on and compliant with the Bangko Sentral ng Pilipinas Circular No. 1048–BSP Regulations on Financial Consumer Protection. The framework establishes the guidelines and expectations which institutionalize consumer protection as an integral component of the Bank's corporate governance and culture, as well as risk management. It is also reflective of the adage that the *customer is the driver of business; no business can survive without the patronage of its customers*.

With easy access to online information, today's customer is more empowered and less brand loyal. They can choose to conduct their banking across many financial institutions and fin-techs, which imply that having the best and most seamless customer experience in every channel and for every product could be the difference between gaining and losing them. BMI acknowledges this and recognizes that the Bank customers have an indispensable role in building our country's strong and stable financial system.

On a day-to-day basis, BMI's Consumer Assistance Section (CAS) under the Business Development and Marketing Services Department (BDMSD) handle and monitor the customer concerns (regardless of nature or type)that are coursed through the Bank's hotline, e-mail, and official social media page. They also consolidate and process the concerns and complaints from the branches' designated Consumer Assistance Officer (CAO). It is the task of CAS to ensure that the reported concerns are appropriately resolved within the standard turn-around-time and is coordinated with the responsible group/department for their corresponding action and/or investigation.

Depending on its complexity, CAS escalates the issues and/or concern to the Bank's Control Units (Legal Group, Internal Audit, and Operational Risk Management Department). On a monthly basis, these are reported to the Risk Oversight Committee (ROC). The ROC's recommendations and directives for process improvements or development of related policies/ procedures are considered and cascaded to the concerned business units. Consequently, customers are assured that their issues and/or concerns are given immediate attention and dealt with effectively.

BMI understands that our customers' right needs to be protected in all stages of their transactions and ensures that an avenue is available to air their satisfaction or grievances regarding the Bank's products and services. Their welfare and satisfaction is the Bank's priority. When our customer is satisfied, business performance is enhanced and long-term relationship with the Bank is built.

BOARD AUDIT AND COMPLIANCE COMMITTEE

The Bank's Board of Directors has empowered the Board Audit and Compliance Committee (BACC) to oversee the financial reporting process, system of internal control, the risk management systems, internal and external audit functions, compliance with governance policies, applicable laws and regulations. This function is exercised by the Committee through the oversight of the Internal Audit and Compliance Functions within the Bank.

The Internal Audit Group (IAG) headed by the Chief Audit Executive (CAE), reports directly to the Committee to maintain its independence. The Internal Audit function has authority that cuts across all functions, units, processes, records, and personnel. It has an approved Internal Audit Charter, which serves as a guide in the performance of its mandated duties and as its basis in evaluating the effectiveness and efficiency of the Bank's internal audit function. The internal audit activities are strictly guided by the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and full compliance with the mandate instituted by the Bangko Sentral ng Pilipinas (BSP).

Internal Audit provides independent, objective assurance and consulting services to evaluate and improve the effectiveness of risk management, control, and governance processes. And Internal Audit covers, at a minimum, the evaluation of the adequacy and effectiveness of controls that cover governance, operations and information security. The CAE is responsible in ensuring that an audit report is issued for each audit engagement conducted summarizing significant findings, recommendations and the auditee unit's responses and/or actions taken or to be taken with target dates of resolution/implementation. Audit reports are communicated in a timely manner to the BACC that tracks the resolution of reported findings and requires the IAG to follow-up until their resolution. To ensure the quality of the audit function, Internal Audit maintains a quality assurance and improvement program.

The Bank provides continuing professional and personal development through training, seminars and professional certifications for auditors.

The Compliance Group (CG) headed by the Chief Compliance Officer (CCO), also reports directly to this Committee. The CCO possesses the necessary qualifications, experience, and professional background and a sound understanding of relevant laws and regulations and their potential impact on the Bank's operations. She supervises the compliance group, oversees the identification and management of the Bank's compliance risk, ensuring the integrity and accuracy of all documentary submissions to the BSP. She is also the appointed liaison officer with the BSP on compliance-related issues.

The CG is responsible in overseeing the implementation of a risk-based Bank Compliance Program, committed in assisting Management in ensuring reasonable basis that bank-wide activities of Bank and its employees are in conformity with applicable laws and regulations, policies and procedures, and sound banking practices as mandated.

Within the CG is the Regulatory Compliance Department that provides advice on relevant laws, rules, and regulations to effectively ensure that regulatory requirements – new and existing are cascaded, communicated and implemented within the Bank. It is also the central point of contact within the Bank for compliance queries; apprises the employees and the Management on new regulations, recommends guidelines on its appropriate implementation; assesses compliance risks associated with the Bank's business activities, including new products and business units; assesses appropriateness of Bank's compliance procedures and guidelines, monitors and tests compliance and maintains constructive relationship with the BSP and other regulatory bodies.

The Anti-Money Laundering Department is another unit within the CG, established to implement the Board-approved Money Laundering and Terrorist Financing Prevention Program (MTPP). It ensures an updated and relevant policies on major areas of AML compliance such as On-boarding Customer Due Diligence, On-going Monitoring of Customers, Accounts and Transactions, Covered and Suspicious Transaction Reporting (CTR, STR), Compliance with Freeze Orders and Targeted Financial Sanctions (TFS), Record-keeping and Continuing Education and Training Program (CETP).

The results of transactions monitoring, compliance testing, and the status of compliance of all concerned units are all reported to this Committee.

With the ever continuing development and changes in the Banking industry regulations and practices, the Bank sends the Compliance staffs to external and internal training and workshops to further improve their technical and soft skills which the Bank believes are necessary in the discharge of their functions.

Capital Adequacy Ratio
December 31 (in thousands Php)

	2021	2020
Tier 1 Capital	14,140,004	13,047,669
Tier 2 Capital	274,881	1,806
Gross Qualifying Capital	**14,414,884**	**13,049,475**
Less: Regulatory Deductions		
Significant minority investment in other financial allied undertakings	0	1,243,659
Total Qualifying Capital	**14,414,884**	**11,805,816**
Credit Risk Weighted Assets	33,312,113	33,487,880
Market Risk Weighted Assets	587,836	0
Operational Risk Weighted Assets	11,703,642	10,265,074
Total Risk Weighted Assets	**45,603,591**	**43,752,954**
Tier 1 Capital Ratio- Net	**31.00%**	**26.98%**
Total Capital Adequacy Ratio	**31.61%**	**26.98%**

Total Tier 1 Capital

	2021	2020
Paid-up Common Stock	5,000,000	5,000,000
Retained Earnings	6,900,511	6,884,350
Undivided Profits	2,784,409	1,826,080
Gross Amount	**14,684,920**	**13,710,430**
Deductions:		
Deferred Tax Asset	544,916	662,761
Net unrealized losses on FVOCI		0
Total Deductions	**544,916**	**662,761**
Total Tier 1 Capital	**14,140,004**	**13,047,669**

Total Tier 2 Capital

	2021	2020
Net Unrealized Gains on FVOCI	510	1,806
General Loan Loss Provision	274,371	0
Gross Amount	**274,881**	**1,806**
Deductions:		
Total Deductions	**0**	**0**
Total Tier 2 Capital	**274,881**	**1,806**


the
management
RAMON B. MANZANA
MANAGING DIRECTOR
LUIS M. CHUA
PRESIDENT
SHIRLEY O. TAN
CORPORATE TREASURER

BOARD OF DIRECTORS

Thomas C. Ongtenco
Chairman

Luis M. Chua
President

Ramon B. Manzana
Managing Director

Sophia C. Ladores
Independent Director

Alfredo P. Pineda
Independent Director

Shirley M. Sangalang
Independent Director

Victor C. Ongtenco
Director

Atty. Generosa R. Jacinto
Corporate Secretary

Florido P. Casuela
Senior Adviser

Age	• 65
Nationality	• Filipino
Education	• Bachelor of Science in Electronics and Communications Engineering, University of the East
Current Position in the Bank	• Chairman
Date of First Appointment	• April 8, 2005
Directorship in other Companies	•Director, BMI Finance Corporation •Director, Veradex Development Corporation •Director, HAODENG Holdings, Inc. •Director, Transnational Investors Corp. •Director, Broadvue Traders, Inc. •Director, Moneyline Lending Investors Inc.
Other Current Position	•President, Motorjoy Depot Inc. •President, BMI Finance Corporation •President, Motrotrade Topline, Inc. •President, Monacor, Inc. •President, Transnational Properties, Inc. •Corporate Secretary, OSM Citycars, Inc.
Previous Companies/ Position	•Director, Northpoint Development Bank •Director, Intertrade Credit Corp. •Director, Oiltech Resources, Inc. •Director/Treasurer, Intertrust Finance Corp.

Age	• 51
Nationality	• Filipino
Education	• Bachelor of Science in Commerce Major in Accountancy, University of Santo Tomas • MS Computational Finance, De La Salle University • Master of Business Administration (Underthesis), University of Santo Tomas
Current Position in the Bank	• President
Date of First Appointment	• June 23, 2017
Directorship in other Companies	• None
Other Current Position	• Faculty Member of AMV College of Accountancy
Previous Companies/ Position	• Head – Support Sector, Bank of Makati (A Savings Bank), Inc. (BMI) • Acting Sector Head, BMI • Head-Controllership Group, BMI • Head-Audit and Compliance Group, BMI • Faculty Member, UST-Faculty of Arts and Letters • Faculty Member, St. Paul College of Manila • Audit In Charge, SGV & CO., CPAs • Manager, Diners Card Corporation & 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

Age	•65
Nationality	•Filipino
Education	•Bachelor of Science in Electronics and Communications Engineering, University of the East •Certificate in Business Economics, University of Asia and Pacific
Current Position in the Bank	•Managing Director
Date of First Appointment	•October 22, 2001
Directorship in other Companies	•Director, Transnational Investors Corporation •Chairman of the Board, Aisen Prime Holdings Inc. •Chairman of the Board, MOS Autosolutions Inc. •Chairman of the Board, Sentai Holdings Inc. •Chairman of the Board, OSM City Cars •Chairman of the Board, Northpoint Development Bank •Chairman of the Board, Motorjoy Depot Inc. •Chairman of the Board, Uplift Cares Movement Foundation Inc. •Chairman of the Board, Tanglaw ng Buhay Foundation •Vice Chairman, CCF Life Academy Inc.
Other Current Position	•President, Honda Prestige Traders Inc. •President, Veradex Development Corporation •Vice President, Christ Commission Foundation Inc. •Corporate Treasurer, The Master's Academy •President, Uplift Movement Foundation Inc.
Previous Companies/ Position	•Trustee, Christ Commission Foundation, Inc. •Trustee, CCF Ministries Inc. •President, Federation of Metro Manila Rural Bank •Treasurer, Rural Bank Association of the Philippines •Executive Assistant to the President, Motortrade Nationwide Corporation •Product Manager/Sales Coordinator, Minitronics Incorporated

Age	•52
Nationality	•Filipino
Education	•Bachelor of Industrial Design, Carleton University, Canada
Current Position in the Bank	•Director
Date of First Appointment	•June 18, 2021
Directorship in other Companies	•Director, Veradex Development Corporation
Other Current Position	•Vice-President, Veradex Development Corporation •President, Transnational Properties, Inc. •Business Development Head, Motortrade Nationwide Corporation.
Previous Companies/ Position	•Executive Vice President, Transnational Properties, Inc. •Director, Northpoint Development Bank, Inc.

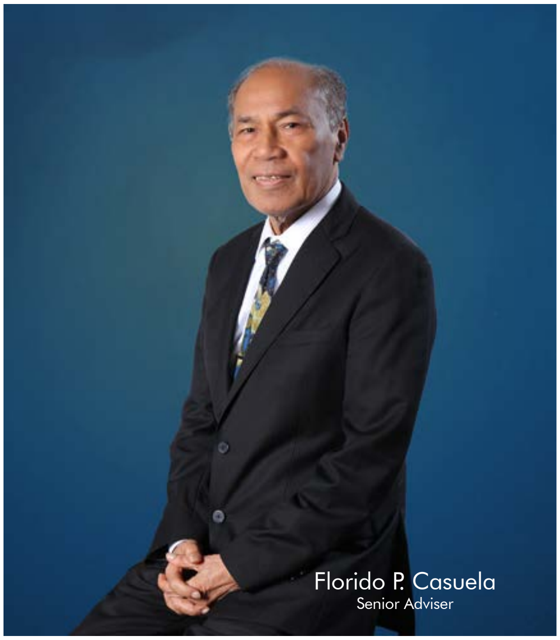
Age	•68
Nationality	•Filipino
Education	•AB Communication Arts, Ateneo De Manila University •Bachelor of Laws, Ateneo De Manila University
Current Position in the Bank	•Independent Director
Date of First Appointment	•March 2, 2007
Directorship in other Companies	•None
Other Current Position	•None
Previous Companies/ Position	•Branch Manager/ Legal Officer, Rizal Commercial Banking Corporation •Head, Loans and Remedial Management Department, Equitable Banking Corporation •Head, Legal and Documentation, Asia United Bank

Age	•62
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 • Director, Mary Mediatrix Medical Center • Board of Trustee, University of Asia & The Pacific
Other Current Position	•None
Previous Companies/ Position	• Senior Vice President, BDO Unibank Inc. • Budget & System Officers Summa International Bank • Auditor, SGV

Sofia C. Ladores

Age	•67
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 (Appointed in June 2021)
Date of First Appointment	•June 18, 2021
Directorship in other Companies	•None
Other Current Position	•None
Previous Companies/ Position	• Head, Credit Risk Management (RMG), Philippine National Bank • Head, Business Risk Management Division (BRMD), Landbank of the Philippines (LBP) • Business Continuity Officer (BCO) (On Current Capacity), LBP • OIC, Risk Management Group (RMG), LBP • Data Protection Officer (DPO) (On Current Capacity), LBP • Chief Risk Officer, LBP

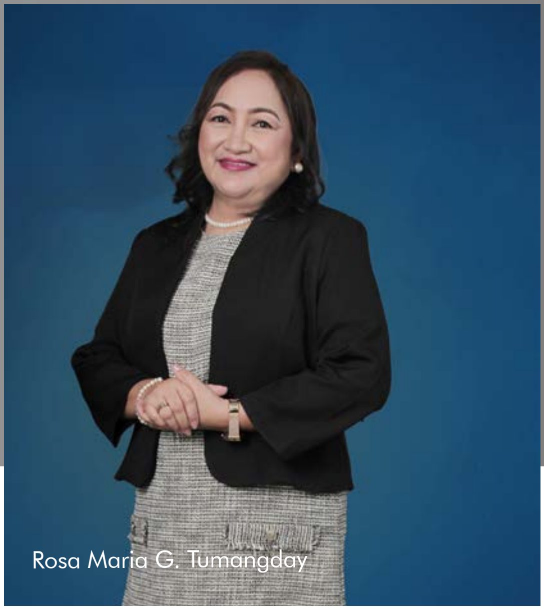
Atty. Generosa R. Jacinto
Corporate Secretary



Florido P. Casuela
Senior Adviser

Age	• 58
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 (A Savings Bank), Inc. (BMI) (Jan 2003 – April 2014) • Acting Corporate Treasurer, BMI (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)

Age	• 37
Nationality	• Filipino
Education	• Bachelor of Science in Accountancy, Polytechnic University of the Philippines
Current Position in the Bank	• Vice President, Head-Financial Planning and Control Group
Relevant Experiences	• Acting Head – Controllership Group (Oct 2012 to March 2014, Bank of Makati (A Savings Bank), Inc. (BMI) • Head – Financial and Management Accounting Division, BMI (March - Sept 2012) • Audit Manager, U Bix Corporation (Aug 2010 - March 2012) • Audit Senior, Punongbayan & Araullo (Nov 2005 to July 2010)



Age	• 58
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
Relevant Experiences	• IAG Group Head - Bank of Makati (A Savings Bank), Inc. (BMI) (April 2016 to Oct 2019) • Asset Management Operations Head, BDO Unibank Inc. (Jan - Dec 2014) • Branch Audit Department Head - Security Bank Corporation (SBC) (June 2004 - Dec 2013) • Branch Audit Team Leader, SBC (May 2001 to May 2004) • Branch Audit Examiner, SBC (Aug 1990 to April 2001) • Accountant, VM Management Group of Companies (June 1987 to July 1990) • Accountant, Cascade Commercial Corporation (April 1985 to July 1987)

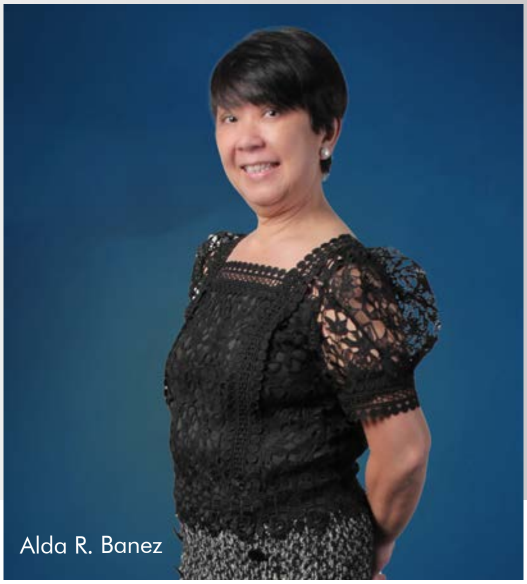
Age	• 39
Nationality	• Filipino
Education	• Bachelor of Science in Accountancy, Ateneo de Naga University
Current Position in the Bank	• First Assistant Vice President, Chief Compliance Officer
Relevant Experiences	• Acting Chief Compliance Officer, Bank of Makati (A Savings Bank), Inc. (BMI) (May 2018 – Nov 2018) • Regulatory Compliance Department Head, BMI (concurrent) • Chief Compliance Officer, City State Savings Bank, Inc. (June 2013 – Apr 2018) • Compliance, MIS, and Budget Analyst, BDO Leasing and Finance, Inc. (April 2006- October 2011)

Age	• 71
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
Current Position in the Bank	• Vice President, Chief Risk Officer
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 of the Philippines (LBP) (Feb 2015 – Nov 2016) • First Vice President/Head of RMG/Chief Risk Officer, LBP (Oct 2009 – Feb 2016) • Vice President, Head of RMG, LBP (Feb 2006 – Sept 2009) • AVP, Head of Risk Management Group, Officer-in-Charge CPRMD, LBP (On Concurrent Capacity) (Oct 2004 – Feb 2006) • AVP, Head – Credit Policy & Risk Management Department, LBP (CPRMD) (April 2002 – Oct 2004) • AVP, Head – NCR Lending Centers B & C, LBP (July 2000 – March 2002) • AVP, Head – Area Lending Center I, LBP (Jan 1999 – June 2000) • Assistant Vice President/SAP, LBP (Jan 1994 – Dec 1998) • Bank Executive Office (BEO) III/ SAP, LBP (April 1993 – Jan 1994) • BEO I/Specialist Assistant to the President (SAP), LBP (Jan – March 1993) • BEO I/ Account Officer – Account Management Department II, LBP (Jan 1992 – Jan 1993) • Bank Executive Office (BEO) I/ Account officer – Account Management Department I, LBP (June 1991 – Jan 1992) • Management Trainee, LBP (Jan 1990 – May 1991)

Age	• 32
Nationality	• Filipino
Education	• Bachelor of Science in Legal Management, San Beda University (Formerly San Beda College) • Juris Doctor, Pamantasan ng Lungsod ng Maynila
Current Position in the Bank	• Data Protection Officer
Relevant Experiences	• Senior Corporate Affairs Officer/ Data Privacy Officer, Anchor Land Holdings, Inc. (September 2019 – October 2021) • Junior Associate Lawyer (June 2018 – Sept 2019), Paralegal (Feb 2018 – June 2018) , Dinsay Caguida & Associates • Junior Account Officer, SPI Global (May 2011 – January 2015)

Age	• 40
Nationality	• Filipino
Education	• AB Political Science, University of Santo Tomas • Bachelor of Laws, University of Santo Tomas • Master of Business Administration, San Beda College
Current Position in the Bank	• Vice President, Chief Legal Officer
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 to July 2006)

Age	• 62
Nationality	• Filipino
Education	• Business Administration and Management, Adamson University
Current Position in the Bank	• Senior Vice President, Head – Branch Banking Group
Relevant Experiences	• Area Head, Security Bank Corporation (SBC) (Apr 2003 to Dec 2016) • Sales Force Head/AVP BBG, SBC (2000 to 2003) • Branch Manager, Philippine Commercial International Bank (PCIB) (1993-2000) • Project Streamline/Branch Support, PCIB (1990-1993) • Sales Head, PCIB(1986-1988) • Branch Operations Head, PCIB (1985-1986 & 1985-1990) • LND Foreign Bookkeeper/Branch Accountant, PCIB (1984-1985) • Import Export Processor, PCIB (1983-1984) • General Accounting Clerk, PCIB (1092-1983) • Settling Clerk/Distributing Clerk, PCIB (1981-1982)



Alda R. Banez

Age	• 61
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 (A Savings Bank), Inc. (BMI) (Feb 2014 to Nov 2015) • Vice President, Philippine Postal Savings Bank (July 2006-April 2012) • Assistance Vice President , Land Bank of the Philippines (Sep 1990 - July 2003) • Officer Manager, Laguna Rubber Co. Inc (1987-1990) • Senior Staff – Visitation and Control Group, Asian Bank (1983-1987)

Jo D. Borromeo

Age	• 56
Nationality	• Filipino
Education	• Bachelor of Science in Civil Engineering
Current Position in the Bank	• Vice President, Head- REPO Management and Disposal Group
Relevant Experiences	• Group Head – Credit Investigation and Collections Group, Bank of Makati (A Savings Bank), Inc. (BMI) (Feb 2014 - May 2016) • Group Head – Credit Collection and Remedial Group (CCRG), BMI (Jan 2010 - Jan 2014) • National Collection Manager Motortrade Nationwide Corporation (MNC) (2008 –2009) • Area Manager, MNC (1995-2004)

Age	• 47
Nationality	• Filipino
Education	• Clinical Psychology, Polytechnic University of the Philippines
Current Position in the Bank	• Vice President, Head – Corporate Services Group
Relevant Experiences	• Head – Human Resources Dept., Bank of Makati (A Savings Bank), Inc. (BMI) (Aug 2010 to Apr 2015) • Acting Head – Corporate Service Group, BMI (2013) • HR Specialist, Zamil Industrial Investment Co. (July 2008-Aug 2010) • HR and Admin. Manager, Hytech Integrated Products Inc (April 2005 to July 2008) • Human Resource Department Head, Furnimaxx Int'l Co. Ltd. (Feb 2003 to March 2005) • Career Management Associate, Philippine Savings Bank (May 1996 to July 2002)

Age	• 55
Nationality	• Filipino
Education	• Business Management, San Beda College
Current Position in the Bank	• Vice President, Head– Loans and Treasury Operations Group
Relevant Experiences	• Group Head - Head Office Operations Bank of Makati (A Savings Bank), Inc. (BMI) (Dec 2015-Nov 2018) • Group Head – CSRG, BMI (Sept 2013-Dec 2015) • Acting Head –CRSG, BMI (Dec 2012-Sept 2013) • Head – Loans Operation Department II, BMI (Nov to Dec 2012) • Head – Loans Operation Department III, BMI (Jan to Nov 2010) • Head – Branch Lending Group, BMI (July 2007-Jan 2010) • Head Business Development Department, BMI (Sept 2005 to July 2007) • Consultant, Mayon System Philippines(April 2002-Aug 2005) • Manager. Metropolitan Bank and Trust Company (Oct 1988 to March 2002)

Age	• 46
Nationality	• Filipino
Education	• Bachelor of Science in Mass Communication, Pamantasan ng Lungsod ng Maynila
Current Position in the Bank	• Senior Assistant Vice President, Head – Loans Operations • Group (Consumer)
Relevant Experiences	• Senior Assistant Vice President, -Head – Loans Operations Group (Consumer) Bank of Makati (A Savings Bank), Inc. (BMI) (September 2019 – September 2020) • Assistant Vice President, Head – Loans Operations Group (Consumer), BMI (April 2014 – August 2019) • Department Head – Lending Center Department (Concurrent), BMI (May 2011-August 2015) • System Officer, BMI (June 2008 – April 2011) • New Accounts Processor, Rizal Commercial Banking Corporation (RCBC) (1996-1999) • Remittance Processor (1999-2000) and Operations Analyst, RCBC (2000-2008)

Age	• 39
Nationality	• Filipino
Education	• Bachelor of Science in Computer Science, San Sebastian College – Recoletos Manila
Current Position in the Bank	• First Assistant Vice President, Head – Information Technology Group
Relevant Experiences	• Acting Head, Information Technology Group Bank of Makati (A Savings Bank), Inc. (BMI) (Oct 2018 to Apr 2019) • BASSD Department Head, BMI (Jan 2013 to Apr 2019) • BASSD Application Systems Engineer, BMI (April 2006 to December 2012) • BASSD Production Support Engineer, BMI (Oct 2005 to Mar 2006) • BASSD Programmer, BMI (Jan to Oct 2005) • Junior Programmer, Virjen Shipping Corporation (Oct 2003 to Jan 2005) • MIS Assistant, Ever Gotesco and Holdings Inc. (Dec 2002 to Oct 2003) • Technical Support Assistant, Ever Group Stores (June 2002 to Nov 2002)

treasury


SHIRLEY O. TAN
Corporate Treasurer


ALDA R. BANEZ
Head - Treasury Group


SUSAN U. TAN
Head - Treasury Marketing Department


DIANA C. NG
Head - Fund Management Department

branch banking

ANGEL G. MUYOT JR.
Head - Branch Banking Group

SOCORRO R. YABUT
Area Head
South Luzon Branches

ALVIN P. DEL PONSO
Area Head
Metro Manila Branch

CHARLIE V. MENDOZA
Area Head
Microfinance Branches

ANGELO MICHAEL C. PLATA
Area Head
North Luzon Branches

PAUL R. BENEMERITO
Area Head
Vis-Min Branches


JOHN MARTIN T. VILLANUEVA
Head - Real Estate and Consumer Lending Division


ANA MARIA L. PARAS
Head - Commercial Lending Division


EDWIN I. MAGHIRANG
Head - Commercial Lending Division Area 3


RANDY B. CARTABIO
Head - Area 2 Micro and Small Lending Division


JESSICA ANGELA A. NAQUIMEN
Head - Area 2 - NCR Department


YLLONA JANE E. MAGNO
Head - Area 1 - NCR Department


CARLOS LUMBO
Head - MPL and Vehicle Loan Section


ANALIZA K. RAMOS
Head - Real Estate Section


DARYL E. SANDOVAL
Head - Area 1 Micro and Small Lending Division

controllership


ROWELL A. UMALI
Head - Controllership Group


OLIVER B. GUINTO
Head - Branch Accounting and Reconcilation Department


RODOLFO B. MATI III
Head - Loans and Treasury Accounting Department


ROSEMARIE O. DARBIN
Head - Financial Accounting Department


REYNALD E. TOMAS
Head - Corporate Planning and Regulatory Compliance Division

loans operations

ELEANOR P. JAVIER
Head - Loans Operations Group - Consumer

ROSALIE L. SANDOVAL
Head - Loans Operation Department 1

MARISA A. YAP
Head - Loan Operations Review and Support Department

JOMILYN D. OBILLO
Head - Credit Authorization Department

MARIA DOLOR D. REMOCALIO
Head - Loan Management Department

credit

RUBY G. BENITO
Head - Credit Investigation Department

RHODERICK N. DELMORO
Head - Credit Appraisal Department

MARY POPS A. NUESTRO
Head - Micro Small Credit Department

branch and central operations

MARIA RAMONA C. FAJARDO
Head - Central Operations Department

loans and treasury operation

ip valued

information technology

ALEN ROIE T.TATCO
Head - Information Technology Group

SARAH M. CAYABYAB
Head - Business Application System Support Department

ADRIAN S. DANES
Head - Data Center Operations Department

ARTEMIO B. CALDERON
Head - System Administration Department

ALEX S. OPIDA
Head - Desktop, Network and Access Department

remedial collection

RENE A. CENTENO
Head - Remedial Collection Division

ABNER Y. FERRER
Head - Legal and External Agency Department

SHERWIN L. OPERIO
Head - Remedial Collection Department

repo management and disposal

JO D. BORROMEO
Head - Repo Management and Disposal Group

DARIUS V. ALBARINA
Head - Repo Management and Disposal

MA. JHOAN G. CRAME
Head - Customer Center Management Department

corporate affairs

JOSE ENRICO T. SANDOVAL
Head - Business Development and Marketing Services Department

JENNIFER L. SUICO
Head - Systems Development Department

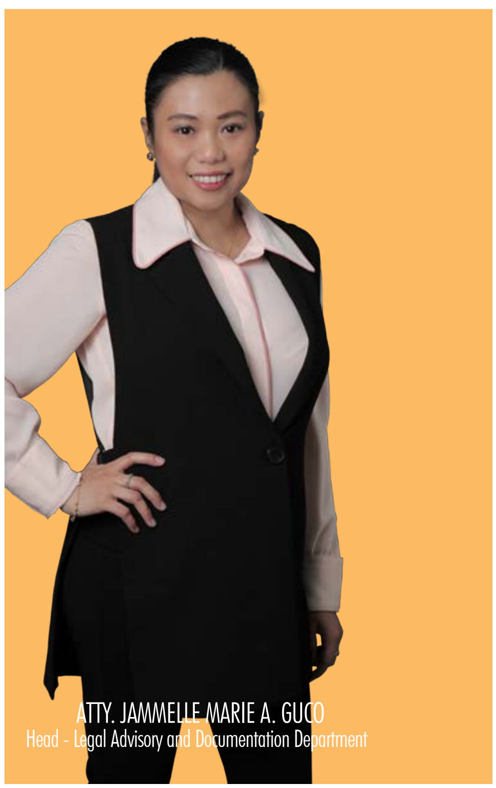
DIOSDADO M. SUBA
Head - Corporate Affairs Office

JEWEL THERESE G. DE VEYRA
Head - Corporate Communications Office

corporate services

legal


ATTY. CARLO CALIXTO D. DUGAYO
Head - Legal Group


ATTY. JAMMELLE MARIE A. GUCO
Head - Legal Advisory and Documentation Department


ATTY. JOMMEL P. JAUCIAN
Head - Litigation and Other Legal Support Department

information security

MA. MELYN B. RAMOS
Head - Information Security Department

data protection

ATTY. MARYDALE C. MANATO
Data Protection Office

compliance

IRISH JANNE B. ESCIO
Chief Compliance Officer

GIBSON B. UY
Head - Regulatory Compliance Department

ALMA D. PACULANAN
Head - AML Department

risk management


TERESITA E. CHENG
Chief Risk Officer


LEA H. DE LEON
Head - Credit Risk Management Department


MARCIAL A. BONGOLAN
Market and Liquidity Risk Management Department


RUELITO L. MOTAS
Head - Operational Risk Management Department

data governance and analytic

audit

regular branches

ANTIPOLO***	Baby Boy O. Presado (BM)
AYALA (MAIN)	Giovanni R. Trocio (BM)
BACOLOD	Norberto R. Valerio (BM)
BALIUAG	Luisito F Santiago (BM)
BATAAN	Celeste L. Del Rosario (BM)
BATANGAS	Danilo O. Gayeta Jr. (BM)
BIÑAN	Maria Lanlet C. Arzola (BM)
BUTUAN	Cynthia Mae Inting-Ramirez (BM)
CABANATUAN	Michael D. Serafica (BM)
CAGAYAN DE ORO	Elmer B. Ang (BM)
CALAPAN	Darwin C. Zamora (BM)
CALOOCAN	Rosal G. Jurado (BM)
CALOOCAN GRACE PARK	Christian O. Sevilla (BM)
CEBU	Michael V. Delda (BM)
DAET	Christian P. Enriquez (BM)
DAGUPAN	Gina C. Zareno (BM)
DASMARIÑAS	Emily M. Dyer (BM)
DAVAO	Azineth C. Panga (BM)
GENERAL SANTOS	Jorex L. Canillas (BRO)
ILOILO	Chloe C. David (BM)
LA UNION	Rodalyn Galeste (BRO)
LAOAG	Charlie G. Mata (SO)
LAS PIÑAS	Jogie F. Fabellano (BM)
LEGAZPI	Jeraldin D. Carlos (BM)
LIPA	Celeste B. Carig (BM)
LUCENA	Sherry Lyn B. Maranan (BM)
MALOLOS***	Monica Bianca M. Adolfo (BM)
MARCOS HIGHWAY ***	Jefferson P Dumandan II
MARIKINA	Jerico M. Liamzon (SO)
MEYCAUAYAN	Hazell P. Santiago (BM)
MUNTINLUPA	Dominador James A. Caluen V (BM)
NAGA	Mary Rose Montierro (BRO)
PAGADIAN	Reynaldo A. Dehunlay (BM)
PAMPANGA	Robin M. Dungo (BM)
PUERTO PRINCESA	Gil Bryan M. Chiang (BM)
RODRIGUEZ***	Ma. Celeste L. Betonio (BM)
SAN PABLO	Aloha A. Mangunay (BM)
SANTIAGO	Randy U. Valiente (BM)
TACLOBAN	April Jen Karen Reposar (SO)
TAGUM	Menchie A. Movera (BRO)
TARLAC***	NO BM YET
TUGUEGARAO	Maria Victoria L. Español (BM)
URDANETA	Sheryl M. Verdeflor (BM)
VALENCIA	Michael C. Paloma (SO)
VALENZUELA	Dianne Louie F. Madamba (BM)
VIGAN	Gemmayn R. Roman
ZAMBOANGA	Luis M. Navarro (BM)
ZAPOTE	Jeddah Cindy A. Jasmin (BM)

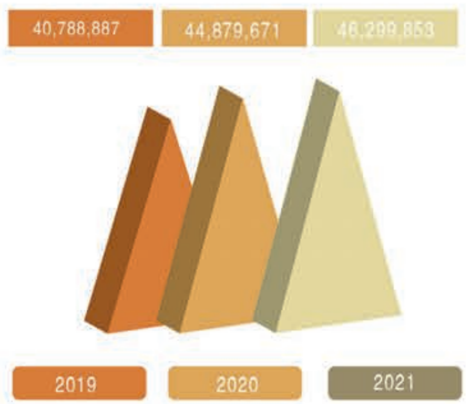
microfinance branches

BACLARAN***	Katrina M. Lacaba (BM)
BLUMENTRITT	Corazon E. Pinero (BM)
BUENDIA***	Camille O. Mercolita (BM)
CAMARIN***	Henery Ann I. Estorninos (BM)
COMMONWEALTH	Mary Ann H. Dimaapi (BM)
CUBAO – P. TUAZON	JANICE ANN M. SALCEDO
GREENHILLS	Kirby V. Canullas (BM)
GUADALUPE***	Ethel Marie D. Impelido (BM)
KALENTONG	Geeden R. Pasasadaba (SO)
MAKATI-EVANGELISTA***	Lorrilaine P. Villaruel
PASAY- LIBERTAD	Reineir A. Mora (BM)
PASIG-C.RAYMUNDO	Jonathan U. Manglallan (BM)
RETIRO	Corazon E. Pinero (BM)
ROOSEVELT	Allore Sto. Domingo (BM)

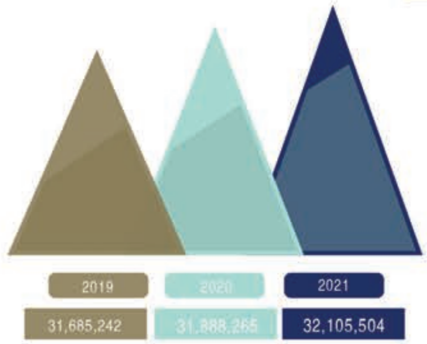
branch-lite units

ANGELES, PAMPANGA
BACOLOD CITY, NEGROS OCCIDENTAL
BATANGAS CITY, BATANGAS
BINANGONAN, RIZAL
BOAC, MARINDUQUE
BONGABONG, ORIENTAL MINDORO
CALAMBA, LAGUNA
CALBAYOG, SAMAR
CALINAN, DAVAO DEL SUR
DAET, CAMARINES NORTE
DIGOS, DAVAO DEL SUR
DUMAGUETE, NEGROS ORIENTAL
GAPAN, NUEVA ECIJA
GUMACA, QUEZON
ILIGAN CITY, LANAO DEL NORTE
IMUS, CAVITE
IPIL, ZAMBOANGA
IRIGA CITY, CAMARINES SUR
KABANKALAN, NEGROS OCCIDENTAL
KALIBO, AKLAN
KIDAPAWAN CITY, DAVAO DEL SUR
LEMERY, BATANGAS
MALABON, MM
MANDAUE, CEBU
MASBATE CITY, MASBATE
NARRA, PALAWAN
OLONGAPO, ZAMBALES
RODRIGUEZ, RIZAL
ROXAS, ISABELA
SAN FRANCISCO, AGUSAN DEL SUR
SAN JOSE DEL MONTE, BULACAN
SAN JOSE, NUEVA ECIJA
SORSOGON, BICOL
T. MARTIRES, CAVITE
TAGBILARAN, BOHOL
TAGUIG CITY, MM
TAGUM CITY, DAVAO DEL NORTE
TANAUAN, BATANGAS
TAYTAY, RIZAL
VIRAC, CATANDUANES

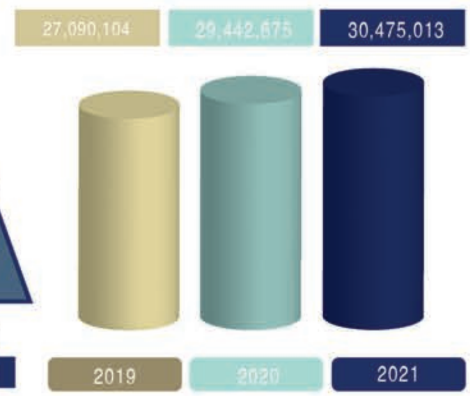
financial highlights



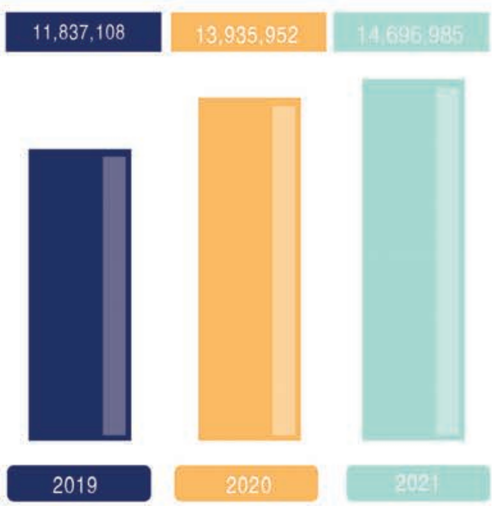
Resources(in thousands)



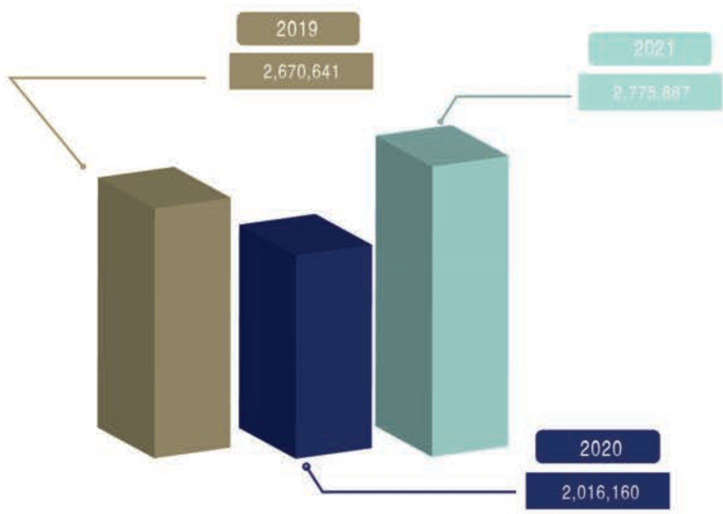
Loans and Receivables- Net (in thousands)



Deposit Liabilities (in thousands)



Equity(in thousands)



Net Income (in thousands)

(in thousands)	2019	2020	2021
Total Resources	40,788,887	44,879,671	46,299,853
Total Loans and Receivables-Net	31,685,242	31,888,265	32,105,504
Total Deposit Liabilities	27,090,104	29,442,675	30,475,013
Total Equity	11,837,108	13,935,952	14,696,985
Total Net Income	2,670,641	2,016,160	2,775,887
Total Revenues	9,368,613	8,810,289	9,316,299
Total Expenses	6,697,971	6,794,129	6,540,412
Return on Resources	6.80%	4.31%	6.09%
Return on Equity	23.95%	14.49%	20.57%
Regular Branches	48	48	48
Microfinance Branches	14	14	14
Branch Lite Units	0	40	40

P&A Grant Thornton

FOR BSP FILING

Financial Statements and Independent Auditors' Report

Bank of Makati (A Savings Bank), Inc.

December 31, 2021 and 2020

P&A Grant Thornton

Report of Independent Auditors

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

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, 2021 and 2020, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2021 and 2020, 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.

Emphasis of a Matter

We draw attention to Note 1 to the accompanying financial statements, which describes the management's assessment of the continuing impact on the Bank's financial statements of the business disruption brought by the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank's associate to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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, 2021 and 2020 required by the Bangko Sentral ng Pilipinas, and for the year ended December 31, 2021 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. 8852330, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-4 (until Oct. 7, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-021-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 12, 2022

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
RESOURCES			
CASH	7	**P 117,680,451**	P 79,102,342
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	**6,114,137,502**	6,539,156,821
DUE FROM OTHER BANKS	7	**285,254,259**	1,549,294,119
INVESTMENT SECURITIES - Net	8	**6,153,695,113**	2,104,167,814
LOANS AND RECEIVABLES - Net	9	**32,105,503,533**	31,888,264,676
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	10	**216,134,638**	209,542,322
RIGHT-OF-USE ASSETS - Net	11	**113,559,465**	180,565,705
ASSETS HELD FOR SALE - Net	12	**364,175,140**	1,328,549,906
INVESTMENT PROPERTIES - Net	13	**206,977,414**	214,283,383
DEFERRED TAX ASSETS - Net	21	**486,154,508**	583,185,307
OTHER RESOURCES - Net	14	**136,580,504**	203,558,123
TOTAL RESOURCES		**P 46,299,852,527**	P 44,879,670,518
LIABILITIES AND EQUITY			
DEPOSIT LIABILITIES	15	**P 30,475,013,159**	P 29,442,675,379
ACCOUNTS PAYABLE AND OTHER LIABILITIES	16	**1,127,854,280**	1,501,042,732
Total Liabilities		**31,602,867,439**	30,943,718,111
EQUITY	17		
Capital stock		**5,000,000,000**	5,000,000,000
Retained earnings		**9,676,397,943**	8,900,510,574
Revaluation reserves		**20,587,145**	35,441,833
Total Equity		**14,696,985,088**	13,935,952,407
TOTAL LIABILITIES AND EQUITY		**P 46,299,852,527**	P 44,879,670,518

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
INTEREST INCOME			
Loans and receivables	9	**P 7,998,500,973**	P 7,840,708,362
Due from Bangko Sentral ng Pilipinas and other banks	7	**136,326,499**	122,224,054
Investment securities	8	**136,850,642**	121,859,013
		8,271,678,114	8,084,791,429
INTEREST EXPENSE			
Deposit liabilities	15	**701,237,526**	964,894,054
Lease liabilities	11	**11,297,926**	15,052,769
Others	19	**4,613,200**	6,154,700
		717,148,652	986,101,523
NET INTEREST INCOME		**7,554,529,462**	7,098,689,906
IMPAIRMENT LOSSES			
Financial assets	8, 9	**1,359,433,057**	1,747,652,707
Non-financial assets	12	**385,989,416**	360,090,984
		1,745,422,473	2,107,743,691
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**5,809,106,989**	4,990,946,215
OTHER OPERATING EXPENSES	18	**(3,140,733,772)**	(2,870,908,428)
OTHER OPERATING INCOME	18	**1,044,621,331**	627,120,680
SHARE IN PROFIT OF ASSOCIATE	12	**-**	98,377,217
PROFIT BEFORE TAX		**3,712,994,548**	2,845,535,684
TAX EXPENSE	21	**937,107,179**	829,375,227
NET PROFIT		**P 2,775,887,369**	P 2,016,160,457

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
NET PROFIT		**P 2,775,887,369**	P 2,016,160,457
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified subsequently to profit or loss			
Gain on remeasurements of defined benefit plan	19	**33,761,700**	54,323,600
Fair value gain (loss) on equity securities classified at fair value through other comprehensive income (FVOCI)	8	**(2,666,849)**	3,799,899
Share in other comprehensive income of invesment in associate	12	**-**	(1,981,056)
Tax expense	21	**(9,113,925)**	(16,297,080)
		21,980,926	39,845,363
Items that will be reclassified subsequently to profit or loss			
Fair value gain (loss) on debt securities classified at FVOCI	8	**(39,544,395)**	42,915,112
Expected credit losses (reversal of impairment) on debt securities classified as FVOCI	8	**54,225**	(76,403)
		(39,490,170)	42,838,709
Total Other Comprehensive Income (Loss) - Net of Tax		**(17,509,244)**	82,684,072
TOTAL COMPREHENSIVE INCOME		**P 2,758,378,125**	P 2,098,844,529

See Notes to Financial Statements.

BANK OF MAKA
STATEMENTS
FOR THE YEARS END
(Amount

	Capital Stock (see Note 17)	Retained Earnings (see Note 17)	Unrealiz Value Gain on Financ (see N
Balance at January 1, 2021	P 5,000,000,000	P 8,900,510,574	P
Dividends declared during the year	-	(2,000,000,000)	-
Reversal of share in other comprehensive loss of associate due to disposal	-	-	-
Total comprehensive income (loss) for the year			
Net profit during the year	-	2,775,887,369	-
Other comprehensive income (loss)	-	-	(
Balance at December 31, 2021	**P 5,000,000,000**	**P 9,676,397,943**	**P**
Balance at January 1, 2020	P 5,000,000,000	P 6,884,350,117	P
Total comprehensive income (loss) for the year			
Net profit during the year	-	2,016,160,457	-
Other comprehensive income (loss)	-	-	
Balance at December 31, 2020	P 5,000,000,000	P 8,900,510,574	P

See No

TI (A SAVINGS BANK), INC.
OF CHANGES IN EQUITY
ED DECEMBER 31, 2021 AND 2020
s in Philippine Pesos)

	Revaluation Reserves			
zed Fair ns (Losses) cial Assets lote 8)	**Remeasurements of Defined Benefit Plan** (see Note 19)	**Share in Other Comprehensive Loss of Investment in Associate** (see Note 12)	**Total**	**Total Equity**
46,851,888	(P 8,755,499)	(P 1,981,056)	P 36,115,333	P 13,936,625,907
-	-	-	-	(2,000,000,000)
-	-	1,981,056	1,981,056	1,981,056
-	-	-	-	2,775,887,369
42,157,019)	24,647,775	-	(17,509,244)	(17,509,244)
4,694,869	**P 15,892,276**	**P -**	**P 20,587,145**	**P 14,696,985,088**
213,280	(P 47,455,519)	P -	(P 47,242,239)	P 11,837,107,878
-	-	-	-	2,016,160,457
46,638,608	38,026,520	(1,981,056)	82,684,072	82,684,072
46,851,888	(P 9,428,999)	(P 1,981,056)	P 35,441,833	P 13,935,952,407

tes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**P 3,712,994,548**	P 2,845,535,684
Adjustments for:			
Interest income	7, 8, 9	**(8,271,678,114)**	(8,084,791,429)
Interest received		**8,122,398,275**	7,817,441,518
Impairment losses	8, 9, 12	**1,745,422,473**	2,107,743,691
Interest paid		**(850,242,374)**	(1,770,442,727)
Interest expense	11, 15, 19	**717,148,652**	986,101,523
Depreciation and amortization	10, 11, 13, 14	**174,412,646**	175,168,113
Loss (gain) on sale of properties - net	12, 13, 18	**(115,879,648)**	45,164,064
Realized gain on disposal of investment securities	8, 18	**(1,756,745)**	(27,276,306)
Share in profit of associate	12	**-**	(98,377,217)
Operating profit before changes in resources and liabilities		**5,232,819,713**	3,996,266,914
Increase in loans and receivables		**(1,471,120,110)**	(2,009,374,952)
Increase in assets held for sale		**(346,817,668)**	(245,572,570)
Decrease (increase) in investment properties		**28,095,857**	(14,038,862)
Decrease in other resources		**66,495,638**	18,891,745
Increase in deposit liabilities		**1,176,729,429**	3,151,965,500
Decrease in accounts payable and other liabilities		**(291,482,164)**	(90,358,491)
Cash from operations		**4,394,720,695**	4,807,779,284
Cash paid for income taxes		**(841,296,897)**	(1,035,542,349)
Net Cash From Operating Activities		**3,553,423,798**	3,772,236,935
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income	8	**(4,997,590,000)**	(1,341,298,351)
Proceeds from disposal of investment in associate	12	**1,002,018,944**	-
Proceeds from disposal of investment securities	8	**716,676,745**	1,368,574,657
Proceeds from maturities of investment securities at amortized cost	8	**230,360,286**	57,264,663
Interest received on investment securities	8	**136,850,642**	121,859,013
Acquisitions of bank premises, furniture, fixtures and equipment	10	**(88,789,378)**	(31,180,549)
Acquisitions of investment securities at amortized cost	8	**(50,000,000)**	-
Net Cash From (Used in) Investing Activities		**(3,050,472,761)**	175,219,433
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends	17	**(2,000,000,000)**	-
Repayments of lease liabilities	11	**(71,608,335)**	(75,891,186)
Net Cash Used in Financing Activities		**(2,071,608,335)**	(75,891,186)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,568,657,298)**	3,871,565,182
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7		
Cash		**79,102,342**	71,176,434
Due from Bangko Sentral ng Pilipinas		**6,539,156,821**	2,971,517,467
Due from other banks		**1,549,294,119**	341,976,552
Receivables arising from reverse repurchase agreement	9	**2,054,430,884**	2,965,748,531
		10,221,984,166	6,350,418,984
CASH AND CASH EQUIVALENTS AT END OF YEAR	7		
Cash		**117,680,451**	79,102,342
Due from Bangko Sentral ng Pilipinas		**6,114,137,502**	6,539,156,821
Due from other banks		**285,254,259**	1,549,294,119
Receivables arising from reverse repurchase agreement	9	**2,136,928,156**	2,054,430,884
		P 8,653,326,868	P 10,221,984,166

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, 2021 AND 2020
(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 2021, the Bank's total equity reached P14.7 billion and has 62 branches (which includes 48 regular branches and 14 microfinance-oriented branches) and 40 branch-lite units.

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

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

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

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and with the emergence of new variants, is still around up to present. The measures taken by the government to contain the virus have affected economic conditions and the Bank's business operations. Nevertheless, with the increasing rate of vaccinated individuals, business activities are gradually returning to normal.

The following are the impact of COVID-19 pandemic to the Bank's business during 2021:

- shortened banking hours in some branches during the periods when the government implemented strict community quarantine protocols;
- additional administrative expenses were incurred to ensure health and safety of its employees and customers such as the frequent disinfection of facilities, COVID-19 testing and vaccination of its employees; and,
- financial performance started to return back to normal levels as net profit recorded an increase of 37.7% from 2020 due to the increase in interest and other income and decrease in impairment losses.

To mitigate the impact of the pandemic, the Bank has taken the following actions since the pandemic started:

- implemented initiatives and projects such as the availability of new payment channels, review of risk acceptance criteria on loans, new product variant offerings, among others in order to boost collections and loan releases as well as to improve the quality of loan portfolio; and,
- implemented flexible working arrangements and employee clustering in the Bank's head office and branches.

Based on the above actions and measures taken by management to mitigate the adverse effect of the pandemic, it projects that the Bank would improve results of operations and would remain liquid to meet current obligations as it falls due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern.

1.3 Approval of Financial Statements

The financial statements of the Bank as at and for the year ended December 31, 2021 (including the comparative financial statements as at and for the year ended December 31, 2020) were authorized for issue by the Bank's Board of Directors (BOD) on April 12, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board 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 all items of income, expenses and other comprehensive income (loss) in two statements: a "statement of profit or loss" and a "statement of comprehensive income."

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of Amended PFRS

(a) Effective in 2021 that are Relevant to the Bank

The Bank adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 9, PFRS 7, and PFRS 16 (Amendments) :	Interest Rate Benchmark Reform Phase 2 – Financial Instruments, Financial Instruments; Disclosure, Leases
PFRS 16 (Amendments) :	COVID-19-Related Rent Concessions beyond June 30, 2021

Discussed below are the relevant information about these pronouncements.

(i) PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, and PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate with alternative benchmark rates. The application of these amendments had no significant impact on the Bank's financial statements.

(ii) PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*. The Bank opted to early adopt the application of these amendments, which is effective from April 1, 2021. The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Bank's financial statements as the Bank did not receive any rent concession from its lessors in 2021.

(b) Effective Subsequent to 2021 but not Adopted Early

There are pronouncements effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements:

(i) PAS 16 (Amendments*), Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Bank:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*

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

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

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

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

2.3 Financial Instruments

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

(a) Financial Assets

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

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

(i) Classification, Measurement and Reclassification of Financial Assets

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

Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

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

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

All financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses (ECL).

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

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

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

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

The Bank accounts for financial assets at FVOCI if the assets meet the following conditions:

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

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

At initial recognition, the Bank can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Bank for trading.

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

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

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

(ii) Effective Interest Rate Method and Interest Income

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

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

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

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

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

(iii) Impairment of Financial Assets

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

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

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

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

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

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

(iv) Derecognition of Financial Assets

Modification of Loans

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

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced that will affect the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and/or,
- insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

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

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

Derecognition of Financial Assets Other than Modification

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

(b) Classification and Measurement of Financial Liabilities

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

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

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

(c) Offsetting of Financial Instruments

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

2.4 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.

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

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

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

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

2.5 Assets Held for Sale

Assets held for sale include chattels and other moveable properties acquired through repossession or foreclosure that the Bank intends to sell within one year from the date of classification as held for sale and is committed to immediately dispose the assets through an active marketing program, and equity investment in BMI Finance Corporation (BFC) that the Bank intended to sell in 2021. The Bank classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

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

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

2.6 Investment Properties

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

The Bank adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value. The cost of an investment property comprises its purchase price and directly attributable costs incurred. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment (see Notes 2.4 and 2.12).

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

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

2.7 Intangible Assets

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

The cost of the asset is the amount of cash or cash equivalent paid or the fair value of the other consideration given up to acquire the asset at the time of its acquisition. In addition, intangible assets are subject to impairment testing as described in Note 2.12.

2.8 Other Resources

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

2.9 Provisions and Contingencies

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

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

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

2.10 Other Income and Expense Recognition

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

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

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

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

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

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

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

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

Costs and expenses are recognized in profit or loss upon utilization of the goods or service or at the date they are incurred. All finance costs are reported in the statement of profit or loss in accordance with the policy, except capitalized borrowing costs which are included or part of the cost of the related qualifying asset (see Note 2.15).

2.11 Leases – Bank as a Lessee

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank;
- the Bank has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

The Bank amortizes the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Bank also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.12).

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

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

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

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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

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

2.12 Impairment of Non-financial Assets

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

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

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

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

2.13 Investment in an Associate

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

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

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.12).

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

Distribution received from the associate is accounted for as a reduction of the carrying value of the investment.

2.14 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

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

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

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

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

(b) Post-employment Defined Contribution Plan

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

(c) *Bonus Plans*

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

(d) *Termination Benefits*

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

2.15 Borrowing Costs

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

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

2.16 Income Taxes

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

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

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

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

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

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

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

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

2.17 Related Party Transactions and Relationships

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

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

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

2.18 Equity

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

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

Revaluation reserves pertain to:

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

(b) Share in other comprehensive income of investment in associate; and,

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

2.19 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

3.1 Critical Management Judgments in Applying Accounting Principles

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) *Determination of Lease Term of Contracts*

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

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

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

(f) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.9 and relevant disclosures are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

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

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

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

(b) *Estimation of Allowance for ECL on Financial Assets*

The Bank provides ECL for financial instruments that have passed the SPPI test (see Note 2.3). 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 Asset, Investment Properties and Intangible Assets*

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

The carrying amounts of bank premises, furniture, fixtures and equipment, right-of-use assets, investment properties and intangible assets are analyzed in Notes 10, 11.1, 13 and 14, respectively. Based on management's assessment as at December 31, 2021 and 2020, there are no changes in the useful lives of these assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) *Fair Value Measurement of Non-financial Assets*

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

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

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

(f) *Determination of Realizable Amount of Deferred Tax Assets*

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

The carrying value of deferred tax assets, which management has determined to be fully recoverable as at December 31, 2021 and 2020, is disclosed in Note 21.

(g) *Impairment of Non-financial Assets*

The Bank's policy on estimating the impairment of non-financial assets is discussed in Note 2.12. 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 and performs an oversight function on the Bank's implementation of its risk policies through various committees that it has created, as follows:

(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 oversees the risk profile and recommends the risk management framework to the BOD.

(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 lines;
(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) close 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, of the associated loss ratios, and of default correlations between counterparties; accordingly, such the credit risk is measured using PD, EAD, and LGD, for purposes of measuring ECL.

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 (0 or current to as much as more than 5 years), based on loan type.

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

(b) Corporate Loans

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

(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,
- observable data indicating that there is a 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, including adverse change in the payment status of issuers in the portfolio; or national or local economic conditions that correlate with defaults on the securities in the portfolio.

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

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

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

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

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

- *Probability of Default*

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

- *Loss Given Default*

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

- *Exposure at Default*

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

These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not been prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to and summed at the end of the reporting period. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the instrument. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. Such profile is supported by a historical analysis (i.e., an observation period of three years) which uses, among others the number of rated accounts and ratings of bad accounts at the time of default.

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

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

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

There have been no significant changes in the estimation techniques or significant assumptions made by the Bank in 2021 and 2020.

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

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

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

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

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

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

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

In 2021 and 2020, other growth rates which consists of services sector growth rate, growth rate of the total number of existing mSMEs, growth rate of real non-agricultural wage rates, unemployment rate, economic growth rate and inflation rate, and unemployment rates, respectively, were used as MEV for the loan portfolio, given its significant coefficient or impact on the borrowers' ability to meet contractual repayments (see also Note 4.3.1.8). The change in MEV was due to the availability of information at the time the ECL was computed.

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

4.3.1.4 Credit Risk Exposures and the ECL Allowance

(a) Credit Risk Exposures

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

	Notes	2021	2020
Cash	7	**P 117,680,451**	P 79,102,342
Due from BSP	7	**6,114,137,502**	6,539,156,821
Due from other banks	7	**285,254,259**	1,549,294,119
Investment securities – net:			
At amortized cost	8	**5,768,068,461**	456,444,540
At FVOCI	8	**385,626,652**	1,647,723,274
Loans and receivables – net	9	**32,105,503,533**	31,888,264,676
Rental and utilities deposits	15	**25,343,297**	26,499,428
		P 44,801,614,155	P 42,186,485,200

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, 2021 and 2020, 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, 2021 and 2020 is presented below.

	Stage 1	Stage 2	Stage 3	Total
December 31, 2021:				
Loans and Receivables				
Unclassified/Current: Grade A	P 26,240,574,910	P -	P -	P 26,240,574,910
Especially mentioned: Grade B	-	2,527,473,901	271,687,578	2,799,161,479
Sub-standard: Grade C	-	1,685,355,924	953,537,170	2,638,893,094
Doubtful: Grade D	-	-	515,408,235	515,408,235
Loss: Grade E	-	-	2,281,557,408	2,281,557,408
	26,240,574,910	4,212,829,825	4,022,190,391	34,475,595,126
Allowance for ECL	(364,660,822)	(50,539,467)	(1,954,891,304)	(2,370,091,593)
Carrying amount	**P25,875,914,088**	**P4,162,290,358**	**P 2,067,299,087**	**P32,105,503,533**
Investments in Debt Securities				
At amortized cost –				
Unclassified/Current: Grade A	P 5,768,068,461	P -	P -	P 5,768,068,461
Carrying amount	**P 5,768,068,461**	**P -**	**P -**	**P 5,768,068,461**
December 31, 2020:				
Loans and Receivables				
Unclassified/Current: Grade A	P 28,025,284,762	P -	P -	P 28,025,284,762
Especially mentioned: Grade B	-	883,916,794	310,674,906	1,194,591,700
Sub-standard: Grade C	-	928,720,172	500,218,238	1,428,938,410
Doubtful: Grade D	-	-	719,471,604	719,471,604
Loss: Grade E	-	-	2,971,632,311	2,971,632,311
	28,025,284,762	1,812,636,966	4,501,997,059	34,339,918,787
Allowance for ECL	(380,928,742)	(40,205,409)	(2,030,519,960)	(2,451,654,111)
Carrying amount	P27,644,356,120	P1,772,431,557	P2,471,477,099	P31,888,264,676
Investments in Debt Securities				
At amortized cost –				
Unclassified/Current: Grade A	P 1,937,533,953	P -	P -	P 1,937,533,953
Allowance for ECL	(289,431)	-	-	(289,431)
Carrying amount	P 1,937,244,522	P -	P -	P 1,937,244,522

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).

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 provides information how the significant changes in the gross carrying amount of loans and receivables in 2021 and 2020 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, 2021	P 28,025	P 1,813	P 4,502	P 34,340
Transfers:				
From Stage 1 to Stage 2	(970)	970	-	-
From Stage 1 to Stage 3	(1,836)	-	1,836	-
From Stage 2 to Stage 1	39	(39)	-	-
From Stage 2 to Stage 3	-	(359)	359	-
From Stage 3 to Stage 1	598	-	(598)	-
From Stage 3 to Stage 2	-	4	(4)	-
New financial assets originated:				
Remained in Stage 1	13,754	-	-	13,754
Moved to Stages 2 and 3	-	2,482	980	3,462
Financial assets derecognized or repaid during the year	(8,972)	(461)	(1,436)	(10,869)
Write-offs	-	-	(814)	(814)
Others	(4,397)	(197)	(803)	(5,397)
	(1,784)	2,400	(480)	136
Balance at December 31, 2021	**P 26,241**	**P 4,213**	**P 4,022**	**P 34,476**
Balance at January 1, 2020	P 24,900	P 5,810	P 2,909	P 33,619
Transfers:				
From Stage 1 to Stage 2	(583)	583	-	-
From Stage 1 to Stage 3	(1,545)	-	1,545	-
From Stage 2 to Stage 1	305	(305)	-	-
From Stage 2 to Stage 3	-	(626)	626	-
From Stage 3 to Stage 1	62	-	(62)	-
From Stage 3 to Stage 2	-	17	(17)	-
New financial assets originated:				
Remained in Stage 1	16,990	-	-	16,990
Moved to Stages 2 and 3	-	207	1,581	1,788
Financial assets derecognized or repaid during the year	(9,804)	(722)	(1,004)	(11,530)
Write-offs	-	-	(881)	(881)
Others	(2,300)	(3,151)	(195)	(5,646)
	3,125	(3,997)	1,593	721
Balance at December 31, 2020	P 28,025	P 1,813	P 4,502	P 34,340

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 2021 and 2020 (amounts in millions of Philippine pesos).

	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	P 381	P 40	P 2,031	P 2,452
Transfers:				
From Stage 1 to Stage 2	(32)	32	-	-
From Stage 1 to Stage 3	(11)	-	11	-
From Stage 2 to Stage 1	3	(3)	-	-
From Stage 2 to Stage 3	-	(59)	59	-
New financial assets originated:				
Remained in Stage 1	206	-	-	206
Moved to Stages 2 and 3	-	49	173	222
Financial assets derecognized or repaid during the year	(7)	(27)	(525)	(559)
Write-offs	-	-	(870)	(870)
Others	(175)	19	1,075	919
	(16)	11	(77)	(82)
Balance at December 31, 2021	**P 365**	**P 51**	**P 1,954**	**P 2,370**
Balance at January 1, 2020	P 316	P 49	P 1,569	P 1,934
Transfers:				
From Stage 1 to Stage 2	(29)	29	-	-
From Stage 1 to Stage 3	(663)	-	663	-
From Stage 2 to Stage 1	4	(4)	-	-
From Stage 2 to Stage 3	-	(363)	363	-
New financial assets originated:				
Remained in Stage 1	222	-	-	222
Moved to Stages 2 and 3	-	6	458	464
Financial assets derecognized or repaid during the year	(80)	(15)	(570)	(665)
Write-offs	-	-	(898)	(898)
Others	611	338	446	1,395
	65	(9)	462	518
Balance at December 31, 2020	P 381	P 40	P 2,031	P 2,452

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, 2021 and 2020 are presented below:

	2021	2020
Real estate mortgage	**P 1,779,617,552**	P 1,457,588,452
Hold out deposits	**694,895,885**	277,256,049
Others	**467,618,682**	445,432,285
	P 2,942,132,119	P 2,180,276,786

For receivables arising from reverse repurchase agreement, since the BSP's purchase will be reversed subsequently, the government securities sold amounting to P2.14 billion and P2.05 billion in 2021 and 2020, 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 2021 and 2020 amounted to P869.6 million and P898.1 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.

	2021			2020		
	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 8,654,000,368**	**P 528,038,932**	**P 4,642,085,073**	P 10,221,984,166	P 12,163,593	P 456,444,540
Consumption	**-**	**21,688,537,367**	**136,854,276**	-	22,797,950,146	356,739,477
Wholesale and retail trade	**-**	**2,051,883,014**	**-**	-	1,282,559,513	-
Real estate activities	**-**	**1,662,231,539**	**746,129,112**	-	1,694,785,459	915,035,338
Agriculture, hunting and forestry	**-**	**1,285,206,727**	**-**	-	1,206,907,535	-
Electricity, gas and water and communication	**-**	**522,366,790**	**43,000,000**	-	540,898,936	204,263,975
Transportation, storage	**-**	**499,622,551**	**200,000,000**	-	569,488,776	47,676,303
Construction	**-**	**472,544,544**	**-**	-	338,862,345	-
Manufacturing	**-**	**408,978,280**	**-**	-	506,418,289	-
Human health and social service activities	**-**	**335,558,565**	**-**	-	167,809,635	-
Accommodation and food service	**-**	**215,996,770**	**-**	-	200,422,686	-
Education	**-**	**40,789,066**	**-**	-	245,051,482	-
Private household	**-**	**14,626,709**	**-**	-	17,961,866	-
Mining and quarrying	**-**	**-**	**-**	-	1,161,308	-
Other community, social and personal services	**-**	**732,087,597**	**-**	-	375,669,830	-
	P 8,654,000,368	**P 30,458,468,451**	**P 5,768,068,461**	P 10,221,984,166	P 29,958,111,399	P 1,980,159,633

4.3.1.8 Impact of COVID-19 on Measurement of ECL

In response to the COVID-19 situation and the Bank's expectations of economic impacts, the key conditions and assumptions utilized in the Bank's calculation of ECL have been revisited and recalibrated. The economic scenarios and forward-looking macroeconomic assumptions underpinning the ECL calculation are outlined in Note 4.3.1.2. As of December 31, 2021 and 2020, the expected impacts of COVID-19 have been reasonably captured using the Bank's business-as-usual (BAU) ECL methodology (i.e., the ECL methodology used in the prior years) and post-model adjustments (or the "COVID-19 overlay").

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

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

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

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

(a) Significant Increase in Credit Risk

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

(b) COVID-19 Overlay

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

The impact of post-model adjustments made in estimating the reported ECL as at December 31, 2021 and 2020 are disclosed below.

	BAU ECL	COVID-19 Overlay	Total ECL
December 31, 2021			
Motorcycle loans	P 1,409,855,971	P 146,024,870	P 1,555,880,841
Corporate loans	647,337,886	10,591,075	657,928,961
Other consumer loans	116,210,175	(15,398,943)	100,811,232
mSME loans	50,367,632	(5,102,927	55,470,559
	P 2,223,771,664	**P 146,319,929**	**P 2,370,091,593**

	BAU ECL	COVID-19 Overlay	Total ECL
December 31, 2020:			
Motorcycle loans	P 1,362,207,042	P 142,775,461	P 1,504,982,503
Corporate loans	643,948,797	83,421,345	727,370,142
Other consumer loans	44,520,483	2,024,978	46,545,461
mSME loans	173,734,317	(978,312)	172,756,005
	P 2,224,410,639	P 227,243,472	P 2,451,654,111

4.3.1.9 Sensitivity Analysis on ECL Measurement

Set out below are the changes to the Bank's ECL as of December 31, 2021 and 2020 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, 2021:			
Motorcycle loans	(a), (b), (c)	P 1,555,880,942	(P 1,555,880,942)
Corporate loans	(a), (b), (c), (d)	686,153,469	(686,153,469)
Consumer loans	(a), (b), (c), (d)	78,832,873	(78,832,873)
Enterprise loans	(a), (b), (c), (e), (f)	40,131,507	(40,131,507)
Microfinance loans	(b), (c)	9,092,801	(9,092,801)
December 31, 2020:			
Motorcycle loans	(a), (b), (c)	P 1,504,982,503	(P 1,504,982,503)
Corporate loans	(a), (b), (c), (d)	727,370,142	(727,370,142)
Consumer loans	(a), (b), (c), (d)	46,545,461	(46,545,461)
Enterprise loans	(a), (b), (c), (e), (f)	153,348,753	(153,348,753)
Microfinance loans	(b), (c)	19,407,252	(19,407,252)

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

4.3.1.10 Modifications of Financial Assets

(a) Financial Reliefs Provided by the Bank

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

Restructured loans amounted to P907.6 million and P780.2 million as of December 31, 2021 and 2020, respectively (see Note 9). The related allowance for credit loss of such loans amounted to P129.0 million and P111.8 million as of the same dates, 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, 2021 and 2020, 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
2021:			
Due from other banks	0.46%	P 1,318,875	P 1,055,100
Financial assets at FVOCI	0.49%	1,875,794	1,500,635
Investment securities at amortized cost	0.49%	28,263,535	22,610,828
		P 31,458,204	**P 25,166,563**
2020:			
Due from other banks	0.45%	P 6,971,824	P 5,577,459
Financial assets at FVOCI	0.49%	7,824,394	6,259,515
Investment securities at amortized cost	0.49%	2,236,578	1,789,263
		P 17,032,796	P 13,626,237

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 6.00% and 5.00% has been observed during 2021 and 2020, respectively. If quoted price for these securities increased or decreased by that amount, equity would have changed by P11.0 million and P6.0 million in 2021 and 2020, 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, 2021 and 2020 is presented below.

	Due Within One Year	Due Beyond One Year but Within Five Years	Due Beyond Five Years	Total
December 31, 2021:				
Financial Resources:				
Cash	P 117,680,451	P -	P -	P 117,680,451
Due from BSP	6,114,137,502	-	-	6,114,137,502
Due from other banks	285,254,259	-	-	285,254,259
Investment securities:				
At FVOCI	258,866,709	126,759,943	-	385,626,652
At amortized cost	493,432,959	2,835,428,956	2,439,206,546	5,768,068,461
Loans and receivables	10,700,667,985	21,726,392,829	2,048,534,313	34,475,595,126
Rental and utilities deposits	-	-	25,343,297	25,343,297
Total	17,970,039,864	24,688,581,728	4,513,084,156	47,171,705,748
Financial Liabilities:				
Deposit liabilities	22,686,532,990	7,756,831,951	31,648,218	30,475,013,159
Accounts payable and other liabilities	606,457,887	62,314,129	17,278,887	686,050,903
Total	23,292,990,877	7,819,146,080	48,927,105	31,161,064,062
Periodic Surplus (Gap)	(5,322,951,013)	16,869,435,648	4,464,157,051	16,010,641,686
Cumulative Total Surplus (Gap)	**(P 5,322,951,013)**	**P 11,546,484,635**	**P 16,010,641,686**	**P 16,010,641,686**

	Due Within One Year	Due Beyond One Year but Within Five Years	Due Beyond Five Years	Total
December 31, 2020:				
Financial Resources:				
Cash	P 79,102,342	P -	P -	P 79,102,342
Due from BSP	6,539,156,821	-	-	6,539,156,821
Due from other banks	1,549,294,119	-	-	1,549,294,119
Investment securities:				
At FVOCI	-	1,647,723,274	-	1,647,723,274
At amortized cost	12,720,872	211,060,805	232,662,863	456,444,540
Loans and receivables	9,143,124,771	23,829,770,611	1,367,023,405	34,339,918,787
Rental and utilities deposits	-	-	26,499,428	26,499,428
Total	17,323,398,925	25,688,554,690	1,626,185,696	44,638,139,311
Financial Liabilities:				
Deposit liabilities	21,198,027,516	7,850,360,261	394,287,602	29,442,675,379
Accounts payable and other liabilities	881,099,718	103,126,557	22,875,900	1,007,102,175
Total	22,079,127,234	7,953,486,818	417,163,502	30,449,777,554
Periodic Surplus (Gap)	(4,755,728,309)	17,735,067,872	1,209,022,194	14,188,361,757
Cumulative Total Surplus (Gap)	(P 4,755,728,309)	P 12,979,339,563	P 14,188,361,757	P 14,188,361,757

The Bank expects that a substantial portion of the deposit liabilities with maturity of one year 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 (4) 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).

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.

		2021		2020	
	Notes	**Carrying Amounts**	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets:					
At amortized cost:					
Investment securities at amortized cost - net	8	**P 5,768,068,461**	**P 5,780,128,486**	P 456,444,540	P 989,860,977
Loans and receivables	9	**32,105,503,533**	**33,552,102,365**	31,888,264,676	33,165,305,300
Financial Liabilities:					
At amortized cost:					
Deposit liabilities	16	**P30,475,013,159**	**P31,278,248,178**	P29,442,675,379	P 30,690,460,155

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, 2021						
Financial assets:						
Loans and receivables	**P 32,130,837**	**(P 25,333)**	**P 32,105,504**	**P 32,105,504**	**(P 694,896)**	**P 31,410,608**
Financial liabilities:						
Deposit liabilities	P 30,475,013	P -	P 30,475,013	P 30,475,013	(P 694,896)	P 29,780,117
Accounts payable and other liabilities	1,153,187	(25,333)	1,127,854	1,127,854	-	1,127,854
Deposit liabilities	**P 31,628,200**	**(P 25,333)**	**P 31,602,867**	**P 31,602,867**	**(P 694,896)**	**P 30,907,971**
December 31, 2020						
Financial assets:						
Loans and receivables	P 31,922,506	(P 34,241)	P 31,888,265	P 31,888,265	(P 277,256)	P 31,611,009
Financial liabilities:						
Deposit liabilities	P 29,442,675	P -	P 29,442,675	P 29,442,675	(P 277,256)	P 29,165,419
Accounts payable and other liabilities	1,535,284	(34,241)	1,501,043	1,501,043	-	1,501,043
Deposit liabilities	P 30,977,959	(P 34,241)	P 30,943,718	P 30,943,718	(P 277,256)	P 30,666,462

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 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, 2021 and 2020.

	Level 1	Level 2	Level 3	Total
December 31, 2021:				
Financial assets				
at FVOCI:				
Debt securities	P 201,978,602	P -	P -	P 201,978,602
Equity securities	183,648,050	-	-	183,648,050
	P 385,626,652	**P -**	**P -**	**P 385,626,652**
December 31, 2020:				
Financial assets				
at FVOCI:				
Debt securities	P 1,535,715,094	P -	P -	P 1,535,715,094
Equity securities	124,008,180	-	-	124,008,180
	P 1,659,723,274	**P -**	**P -**	**P1,659,723,274**

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

(a) Corporate Debt Securities

Corporate papers with fair value categorized within Level 1 is determined based on the prices of benchmark government securities which are also quoted in an active market or bond exchange (i.e., BVAL).

(b) Equity Securities

The fair values of equity securities classified as financial assets at FVOCI as of December 31, 2021 and 2020 were valued based on their market prices quoted in the Philippine Stock Exhange 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, 2021				
Financial assets:				
Cash	P 117,680,451	P -	P -	P 117,680,451
Due from BSP	6,114,137,502	-	-	6,114,137,502
Due from other banks	285,254,259	-	-	285,254,259
Investment securities at amortized cost – net	5,780,128,486	-	-	5,780,128,486
Loans and receivables – net	2,136,928,156	-	31,415,174,209	33,552,102,365
Rental and utilities deposits	-	-	25,343,297	25,343,297
	P 14,434,128,854	P -	P 31,440,517,506	P 45,874,646,360
Financial liabilities:				
Deposit liabilities	P -	P -	P 30,278,248,178	P 31,278,248,178
Accounts payable and other liabilities	-	-	686,050,903	686,050,903
	P -	P -	P 30,964,299,081	P 30,964,299,081
December 31, 2020				
Financial assets:				
Cash	P 79,102,342	P -	P -	P 79,102,342
Due from BSP	6,539,156,821	-	-	6,539,156,821
Due from other banks	1,549,294,119	-	-	1,549,294,119
Investment securities at amortized cost – net	854,362,889	139,583,522	-	993,946,411
Loans and receivables – net	2,054,430,884	-	31,110,874,416	33,165,305,300
Rental and utilities deposits	-	-	26,499,428	26,499,428
	P 11,076,347,055	P 139,583,522	P 31,137,373,844	P 42,353,304,421
Financial liabilities:				
Deposit liabilities	P -	P -	P 30,690,460,155	P 30,690,460,155
Accounts payable and other liabilities	-	-	1,007,102,175	1,007,102,175
	P -	P -	P 31,697,562,330	P 31,697,562,330

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

Investment securities at amortized cost consist of securities issued by the government-owned-and-controlled corporations with fair value included in Level 2, which fair values determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values. 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, 2021 and 2020.

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

	2020			
	Level 1	Level 2	Level 3	Total
Land	P -	P 416,847,599	P 5,052,600	P 421,900,199
Buildings and improvements	-	195,074,919	88,596,020	283,670,939
	P -	P 611,922,518	P 93,648,620	P 705,571,138

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

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

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

(i) Fair Value Measurement for Land

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

(ii) Fair Value Measurement for Buildings and Improvements

In 2020, the fair value of buildings were determined using either the market comparable approach or the cost approach. In 2021, the fair value were all determined using only the cost approach.

The Level 2 fair value of the buildings under the Investment Properties account in 2020 was determined under the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations.

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 P488.2 million and P489.4 million in 2021 and 2020, 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 2021 and 2020.

7. CASH AND CASH EQUIVALENTS

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

	Note	**2021**	2020
Cash		**P 117,680,451**	P 79,102,342
Due from BSP		**6,114,137,502**	6,539,156,821
Due from other banks		**285,254,259**	1,549,294,119
Receivables arising from reverse repurchase agreement	9	**2,136,928,156**	2,054,430,884
		P 8,654,000,368	P 10,221,984,166

Cash accounts with other banks generally earn interest based on daily bank deposit rates. Short-term placements, which are included as part of Due from Other Banks, are made for varying periods between seven and 30 days and earn annual effective interest at rates ranging from 0.25% to 8.5% in 2021, and from 0.25% to 3.5% in 2020.

The Bank maintains account with the BSP for regular reserve requirement and a special depository account. Due from BSP, excluding mandatory reserves, which has no interest, bears annual interest rate ranging from 1.50% to 2.0% in 2021, and from 1.50% to 4.13% in 2020.

Interest income from Due from BSP amounted to P126.8 million and P112.7 million in 2021 and 2020, respectively; while interest income from Due from Other Banks amounted to P9.5 million in both 2021 and 2020. 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 8.00% of the outstanding balance thereof in both 2021 and 2020. The Bank has satisfactorily complied with the reserve requirements of the BSP as at December 31, 2021 and 2020 (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 of 2.00% in 2021 and ranging from 2.00% to 4.00% in 2020. 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:

	2021	2020
Investment securities at amortized cost	**P 5,768,068,461**	P 456,444,540
Financial assets at FVOCI	**385,626,652**	1,647,723,274
	P 6,153,695,113	P 2,104,167,814

8.1 Investment Securities at Amortized Cost

Investment securities at amortized cost as at December 31, 2021 and 2020 consist of:

	2021	2020
Government securities (quoted)	**P 4,642,085,072**	P 320,946,552
Corporate debt securities		
Quoted	**1,125,983,389**	-
Unquoted	-	135,497,988
	P 5,768,068,461	P 456,444,540

Interest rates per annum on government securities range from 2.88% to 6.13% in 2021, and from 3.25% to 6.13% in 2020 while interest rates per annum on corporate debt securities range from 5.16% to 6.60% in 2021, and from 5.00% to 6.60% in 2020. The total interest earned amounted to P26.5 million and P116.3 million in 2021 and 2020, respectively, and are presented as part of Interest Income on Investment Securities in the statements of profit or loss.

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

	2021	2020
Balance at beginning of year	**P 456,444,540**	P 2,461,974,890
Transfer from (to) FVOCI classification	**5,496,670,000**	(1,481,089,413)
Redemption	**(230,360,286)**	(57,264,663)
Additions	**50,000,000**	-
Amortization of premium	**(4,685,793)**	(1,408,398)
Disposals	**-**	(466,196,000)
Transfer of impairment	**-**	289,431
Impairment loss	**-**	138,693
Balance at end of year	**P5,768,068,461**	P 456,444,540

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

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

The total realized gain recognized by the Bank from the disposal of investment securities at amortized cost amounted P5.6 million in 2020 (nil in 2021) and is presented as part of Realized gain on investment securities under Other Operating Income in the 2020 statement of profit or loss (see Note 18.1).

8.2 Financial Assets at FVOCI

Financial assets at FVOCI as at December 31, 2021 and 2020 consist of:

	2021	2020
Debt securities	**P 201,978,602**	P 1,523,715,094
Equity securities	**183,648,050**	124,008,180
	P 385,626,652	P 1,647,723,274

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

	2021	2020
Balance at the beginning of year	**P 1,647,723,274**	P 120,208,281
Transfer from (to) investment securities at amortized cost	**(5,496,470,000)**	1,481,089,413
Additions	**4,997,590,000**	1,341,298,351
Disposals	**(714,920,000)**	(1,341,298,351)
Fair value gain (losses)	**(42,211,244)**	46,715,011
Amortization of discount	**(6,174,809)**	-
Reversal of impairment	**289,431**	-
Transfer of impairment	**-**	(289,431)
Balance at end of year	**P 385,626,652**	P 1,647,723,274

The fair value changes in the Bank's financial assets at FVOCI amounted to P42.2 million and P46.7 million for equity securities and corporate debt securities in 2021 and 2020, 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 P110.4 million and P5.6 million in 2021 and 2020, respectively, and are presented as part of Interest Income on Investment Securities in the statements of profit or loss. The total realized gain recognized by the Bank from the disposal of debt securities classified as financial assets at FVOCI amounted to P1.8 million and P21.7 million in 2021 and 2020, respectively, and are presented as part of Realized gain on investment securities under Other Operating Income in the statements of profit or loss (see Note 18.1).

Dividends earned from financial assets at FVOCI amounting to P5.9 million and P6.5 million in 2021 and 2020, 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	2021	2020
Receivables from customers:			
Motorcycle loans		**P 23,742,763,981**	P24,144,678,279
Commercial loans		**5,600,410,902**	4,118,864,418
Other consumer loans		**967,535,277**	920,875,580
mSME loans		**147,758,291**	773,693,122
		30,458,468,451	29,958,111,399
Other receivables:			
Receivables arising from reverse repurchase agreement	7	**2,136,928,156**	2,054,430,884
Capitalized loan origination costs		**1,793,023,420**	1,314,941,800
Accrued interest receivable		**858,447,268**	846,018,072
Accounts receivable		**87,889,128**	242,394,885
Sales contracts receivable		**27,080,937**	29,170,064
Dividend receivable		**-**	240,000,000
		4,903,368,909	4,726,955,705
Allowance for impairment		**(2,370,091,593)**	(2,451,654,111)
Unearned interest		**(886,242,234)**	(345,148,317)
	21.1	**P 32,105,503,533**	P31,888,264,676

The annual effective interest rates on these loans range from 2.69% to 68.02%, and from 3.82% to 68.02% in 2021 and 2020, respectively. Total interest earned amounted to P8.0 billion and P7.8 billion in 2021 and 2020, 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.

	2021	2020
Balance at beginning of year	**P 2,451,654,111**	P 1,933,793,224
Impairment losses during the year	**1,359,378,842**	1,747,867,804
Write-off	**(869,606,996)**	(898,149,642)
Derecognition due to foreclosure:		
Motorcycle and consumer loans	**(442,695,259)**	(301,612,583)
Business loans	**(128,639,105)**	(30,244,692)
Balance at end of year	**P 2,370,091,593**	P 2,451,654,111

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 2021 and 2020 are shown below.

	Building and Improvements	Furniture, Fixtures and Equipment	Land	Computer Software	Total
December 31, 2021					
Cost	P 283,226,235	P 352,441,260	P 63,005,278	P 278,516,926	P 977,189,699
Accumulated depreciation and amortization	(237,199,911)	(340,476,356)	-	(183,378,794)	(761,055,061)
Net carrying amount	**P 46,026,324**	**P 11,964,904**	**P 63,005,278**	**P 95,138,132**	**P 216,134,638**
December 31, 2020					
Cost	P 277,728,371	P 335,500,062	P 63,005,278	P 212,166,548	P 888,400,259
Accumulated depreciation and amortization	(211,869,657)	(323,682,263)	-	(143,306,017)	(678,857,937)
Net carrying amount	P 65,858,714	P 11,817,799	P 63,005,278	P 68,860,531	P 209,542,322
January 1, 2020					
Cost	P 265,451,167	P 322,132,122	P 63,005,278	P 206,631,143	P 857,219,710
Accumulated depreciation and amortization	(186,321,768)	(304,764,662)	-	(114,287,695)	(605,374,125)
Net carrying amount	P 79,129,399	P 17,367,460	P 63,005,278	P 92,343,448	P 251,845,585

A reconciliation of the carrying amounts at the beginning and end of 2021 and 2020 of bank premises, furniture, fixtures and equipment is shown below.

	Building and Improvements	Furniture, Fixtures and Equipment	Land	Computer Software	Total
Balance at January 1, 2021, net of accumulated depreciation and amortization	P 65,858,714	P 11,817,799	P 63,005,278	P 68,860,531	P 209,542,322
Additions	5,497,864	16,941,198	-	66,350,378	88,789,378
Depreciation and amortization charges for the year (see Note 18.2)	(25,330,254)	(16,794,093)	-	(40,072,777)	(82,197,124)
Balance at December 31, 2021, net of accumulated depreciation and amortization	**P 46,026,324**	**P 11,964,904**	**P 63,005,278**	**P 95,138,132**	**P 216,134,638**
Balance at January 1, 2020, net of accumulated depreciation and amortization	P 79,129,399	P 17,367,460	P 63,005,278	P 92,343,448	P 251,845,585
Additions	12,277,204	13,367,940	-	5,535,405	31,180,549
Depreciation and amortization charges for the year (see Note 18.2)	(25,547,889)	(18,917,601)	-	(29,018,322)	(73,483,812)
Balance at December 31, 2020, net of accumulated depreciation and amortization	P 65,858,714	P 11,817,799	P 63,005,278	P 68,860,531	P 209,542,322

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, 2021 and 2020, the Bank has satisfactorily complied with this BSP requirement.

As at December 31, 2021 and 2020, 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 P477.9 million and P550.4 million, respectively.

11. LEASES

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

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

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

11.1 Right-of-use Assets

The carrying amounts of the Bank's right-of-use assets as at December 31, 2021 and December 31, 2020, and the movements during the periods are shown below.

	Head Office	Branches	Warehouses	Total
Balance at beginning of year	P 30,331,240	P 144,902,134	P 5,332,331	P 180,565,705
Additions	-	4,472,411	-	4,472,411
Amortization	(18,198,744)	(51,879,077)	(1,400,830)	(71,478,651)
Balance at end of year	**P 12,132,496**	**P 97,495,468**	**P 3,931,501**	**P 113,559,465**
Balance at beginning of year	P 48,529,984	P 177,625,783	P 11,948,827	P 238,104,594
Additions	-	24,173,155	720,737	24,893,892
Amortization	(18,198,744)	(56,896,804)	(7,337,233)	(82,432,781)
Balance at end of year	P 30,331,240	P 144,902,134	P 5,332,331	P 180,565,705

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).

11.2 Lease Liabilities

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

	2021	2020
Balance at the beginning of year	**P 197,587,862**	P 248,585,156
Cash flows from financing activities:		
Additional lease liabilities	**4,472,411**	24,893,892
Payment of principal portion of lease liabilities	**(71,608,335)**	(75,891,186)
Balance at end of year (see Note 16)	**P 130,451,938**	P 197,587,862

The total interest expense in relation to lease liabilities amounted to P11.3 million and P15.1 million in 2021 and 2020, respectively, and are presented under Interest Expense on Lease Liabilities in the statements of profit or loss.

As at December 31, 2021 and 2020, 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, 2021 and 2020 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
2021:							
Lease payments	P58,215,162	P37,102,990	P18,427,890	P 9,395,911	P 7,988,479	P19,038,674	P150,169,106
Finance charges	(7,536,240)	(4,585,107)	(2,753,361)	(1,889,268)	(1,373,405)	(1,759,787)	(19,759,788)
Net present values	**P50,858,922**	**P32,517,883**	**P15,674,529**	**P 7,506,643**	**P 6,615,074**	**P17,278,887**	**P130,451,938**
2020:							
Lease payments	P82,751,321	P57,069,225	P35,914,611	P17,224,656	P 8,148,113	P25,963,966	P227,071,892
Finance charges	(11,165,915)	(6,872,596)	(4,188,535)	(2,457,360)	(1,711,558)	(3,088,066)	(29,484,030)
Net present values	P71,585,406	P 50,196,629	P31,726,076	P14,767,296	P 6,436,555	P22,875,900	P197,587,862

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 2021 and 2020, the expenses relating short-term leases and low-value assets amounted to P21.4 million and P9.2 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 and investment in an associate 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 breakdown of assets held for sale is shown the succeeding page.

	2021	2020
Repossessed motor vehicles	**P 364,175,140**	P 357,144,653
Investment in BFC	**-**	971,405,253
	P 364,175,140	P 1,328,549,906

The breakdown of repossessed motor vehicles is shown below.

	2021	2020
Cost	**P 489,784,744**	P 489,932,228
Allowance for impairment	**(125,609,604)**	(132,787,575)
	P 364,175,140	P 357,144,653

The Bank recognized gain of P44.3 million in 2021 and a loss of P47.2 million 2020, 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 Notes 18.1 and 18.2).

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

	2021	2020
Balance at beginning of year	**P 132,787,575**	P 178,918,110
Derecognition due to disposal	**(393,167,387)**	(406,221,519)
Impairment losses	**385,989,416**	360,090,984
Balance at end of year	**P 125,609,604**	P 132,787,575

On September 15, 2015, the BSP approved the proposed P800.0 million equity investment of the Bank in BFC representing 40% of the latter's common stock. The approved amount represents that maximum amount that can be invested by the Bank in compliance with 40% limit set by the BSP for thrift bank's equity investment in allied undertaking. Also, the approved investment is consistent with the Manual of Regulations for Banks (MORB) prescribed equity investments not exceeding 15% of the Bank's net worth.

BFC is incorporated on March 28, 2016 and is engaged in general financing business by extending credit facilities to consumers and to industrial, commercial, or agricultural enterprises. Its place of incorporation which is similar with the place of operation is at Rm. 808, Tower 2 Cityland, No. 10 Valero St., H.V. Dela Costa, Brgy. Bel-Air, Makati City, Metro Manila.

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

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

The carrying amount of the equity investment as of December 31, 2020, which was accounted for under equity method is shown below.

Acquisition cost	P 800,000,000
Accumulated share in undistributed profit	173,386,309
Share in other comprehensive loss	(1,981,056)
Reclassification from investment in associate to asset held for sale	(971,405,253)
	P -

The movements in the carrying amount of investment in an associate in 2020 is summarized below.

Balance at beginning of year	P1,115,009,092
Share in profit of associate for the year	98,377,217
Share in other comprehensive loss	(1,981,056)
Dividends	(240,000,000)
Reclassification from investment in associate to asset held for sale	(971,405,253)
Balance at end of year	P -

The financial information of BFC as of and for the year ended December 31, 2020 are shown below.

Financial information:	
Assets:	
Current	P 1,376,740,867
Non-current	4,015,651,418
Liabilities:	
Current	928,490,162
Non-current	2,000,687,770
Revenues	1,997,255,494
Operating expenses	1,578,616,528
Net profit	241,315,519
Other comprehensive income	4,952,640
Reconciliation:	
Net asset of BFC	2,463,214,353
Proportion	40%
Carrying amount of investment before reclassification	P 985,285,741

The carrying amount of investment approximates the share in net assets of BFC.

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 2021 and 2020 are presented below.

	Land	Buildings and Improvements	Total
December 31, 2021			
Cost	P 101,596,916	P 199,495,139	P 301,092,055
Accumulated depreciation	-	(90,802,176)	(90,802,176)
Allowance for impairment	(2,751,598)	(560,867)	(3,312,465)
Net carrying amount	**P 98,845,318**	**P 108,132,096**	**P 206,977,414**
December 31, 2020			
Cost	P 106,253,922	P 184,472,417	P 290,726,339
Accumulated depreciation	-	(73,130,491)	(73,130,491)
Allowance for impairment	(2,751,598)	(560,867)	(3,312,465)
Net carrying amount	P 103,502,324	P 110,781,059	P 214,283,383
January 1, 2020			
Cost	P 92,015,532	P 187,121,831	P 279,137,363
Accumulated depreciation	-	(59,085,742)	(59,085,742)
Allowance for impairment	(2,751,598)	(560,867)	(3,312,465)
Net carrying amount	P 89,263,934	P 127,475,222	P 216,739,156

A reconciliation of the carrying amounts at the beginning and end of 2021 and 2020 of investment properties is shown below.

	Land	Buildings and Improvements	Total
Balance at January 1, 2021 net of accumulated depreciation and impairment	P 103,502,324	P 110,781,059	P 214,283,383
Additions	12,917,316	19,543,283	32,460,599
Disposals	(17,574,322)	(1,937,355)	(19,511,677)
Depreciation charges for the year	-	(20,254,891)	(20,254,891)
Balance at December 31, 2021, net of accumulated depreciation and impairment	**P 98,845,318**	**P 108,132,096**	**P 206,977,414**
Balance at January 1, 2020 net of accumulated depreciation and impairment	P 89,263,934	P 127,475,222	P 216,739,156
Additions	17,544,184	6,305,884	23,850,068
Disposals	(3,305,794)	(4,492,632)	(7,798,426)
Depreciation charges for the year	-	(18,507,415)	(18,507,415)
Balance at December 31, 2020, net of accumulated depreciation and impairment	P 103,502,324	P 110,781,059	P 214,283,383

The Bank sold certain investment properties which resulted in a gain of P41.0 million and P2.0 million in 2021 and 2020, respectively, and is presented as part of Gain on sale of properties - net under the Other Operating Income in the statements of profit or loss (see Note 18.1). Additions in 2021 and 2020 include real and other properties acquired through foreclosure of assets amounting to P32.5 million and P23.9 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:

		2021		2020
Prepaid expenses	**P**	**57,008,972**	P	57,712,261
Rental and utilities deposits		**25,343,297**		26,499,428
Documentary stamps on hand		**22,765,448**		26,169,705
Cost of ongoing software development		**4,215,803**		55,326,555
Intangible assets – net		**3,869,804**		4,253,667
Advances to suppliers		**3,305,729**		3,014,781
Others		**20,071,451**		30,581,726
	P	**136,580,504**	P	203,558,123

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

Cost of ongoing software development pertains to accumulated costs incurred in constructing the Bank's new loans management system and NOAH system upgrade. In 2021, the Bank reclassified a portion of the cost of ongoing software development as an addition to computer software presented under Bank Premises, Furniture, Fixtures, and Equipment in the 2021 statement of financial position (see Note 10).

Amortization of the Bank's licenses classified as intangible assets amounted to P0.8 million both in 2021 and 2020, respectively, and are presented as part of Depreciation and amortization under Other Operating Expenses account in the statements of profit or loss (see Note 18.2). In 2021 and 2020, additions to computer software classified as intangible assets amounted to P0.5 million and P0.2 million, respectively.

Others includes various deposits, employees' car plans, and other assets.

15. DEPOSIT LIABILITIES

This account consists of:

		2021		2020
Time	**P**	**23,845,163,727**	P	26,621,734,725
Savings		**1,822,151,813**		1,234,100,525
Demand		**4,807,697,619**		1,586,840,129
	P	**30,475,013,159**	P	29,442,675,379

Interest rates on deposit liabilities range between 0.63% and 6.30% per annum both in 2021 and 2020. Interest expense on deposit liabilities amounted to P701.2 million and P964.9 million in 2021 and 2020, respectively, and is presented as Interest Expense on Deposit Liabilities in the statements of profit or loss. The deposit liabilities are inclusive of accrued interest payable amounting to P0.3 billion and P0.4 billion as at December 31, 2021 and 2020, 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:

	2021	2020
Time	**P 715,354,912**	P 798,652,042
Savings	**54,664,554**	37,023,016
Demand	**144,230,929**	47,605,204
	P 914,250,395	P 883,280,262

The BSP's reserve requirement is composed of regular reserve and liquidity reserve requirement equivalent to 3.00% both in 2021 and 2020, respectively (see Note 7).

Currently, the Bank's reserves are maintained in the form of amounts due from BSP. As of December 31, 2021 and 2020, 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	2021	2020
Accounts payable		**P 540,792,674**	P 773,631,063
Income tax payable		**192,980,311**	210,604,738
Lease liabilities	11	**130,451,938**	197,587,862
Retirement benefit obligation	19.2	**127,754,100**	155,169,800
Other taxes payable		**90,580,722**	98,490,187
Due to Philippine Deposit Insurance Corporation		**30,488,244**	29,675,832
Manager's checks		**8,716,154**	21,770,791
Others		**6,090,137**	14,112,459
		P 1,127,854,280	P 1,501,042,732

Accounts payable mainly pertains to amounts due to the Bank's accredited dealers arising from the sale of motorcycles through financing loans granted to the buyers.

Other taxes payable includes withholding taxes and gross receipt taxes.

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

17. EQUITY

17.1 Capital Stock

The details of the Bank's capital stock as at December 31, 2021 and 2020 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 54 stockholders as at December 31, 2021 and 2020, respectively, owning 100 or more shares each of the Bank's capital stock.

17.2 Cash Dividends Declared

On February 9, 2021, the BOD approved the declaration of cash dividends on common shares amounting to P2.0 billion (P4.0 per share) to stockholders of record as of February 28, 2021. These were fully paid on March 26, 2021. No cash dividends were declared in 2020.

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):

	2021	2020
Tier 1 Capital	**P 14,140,004**	P 11,805,815
Tier 2 Capital	**274,881**	-
Total Regulatory Qualifying Capital	**P 14,414,885**	P 11,805,815
Total Risk Weighted Assets	**P 45,603,591**	P 33,487,880
Capital Ratios:		
Total regulatory capital expressed as percentage of total risk weighted assets	**31.61%**	26.98%
Total Tier 1 expressed as percentage of total risk weighted assets	**31.00%**	26.98%

As at December 31, 2021 and 2020, the Bank's capital adequacy ratios are 31.61% and 26.98%, 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, 2021 and 2020, 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, 2021 and 2020 are analyzed below (amounts in millions except MLR figure).

	2021	2020
Eligible stock of liquid assets	**P 13,124**	P 10,555
Total qualifying liabilities	**31,207**	30,608
	42.05%	34.49%

The Bank complies with the MLR requirement of 16% effective January 1, 2020 and is expected to be compliant consistently and on an ongoing basis.

18. OTHER OPERATING INCOME AND EXPENSES

18.1 Other Operating Income

This account is composed of the following:

	Notes	**2021**	2020
Other interest charges		**P 796,826,578**	P 503,851,650
Gain on sale of properties – net	12, 13	**115,879,648**	-
Recovery of written off accounts		**57,203,761**	37,148,153
Processing fees		**48,386,893**	34,669,095
Dividend income	8.2	**5,868,990**	6,529,027
Realized gain on disposal of investment securities	8.1, 8.2	**1,756,745**	27,276,306
Miscellaneous		**18,698,716**	17,646,449
		P 1,044,621,331	P 627,120,680

Late payment fees (presented as other interest charges) are charged by the Bank to borrowers upon default. These charges are integral part of the Bank's core lending activities.

Miscellaneous income includes foreign currency gains and service charges on ATMs, among others.

18.2 Other Operating Expenses

This account is composed of the following:

	Notes	**2021**	2020
Outside services	20	**P 1,014,314,038**	P 849,374,395
Employee benefits	20.10,19.1	**674,581,771**	665,227,768
Taxes and licenses		**658,930,138**	591,454,087
Depreciation and amortization	10, 11.1, 13, 14	**174,412,646**	175,168,113
Advertising and publicity		**150,096,195**	117,992,085
Insurance		**71,055,864**	63,291,547
Communication		**57,194,542**	51,992,552
Security services		**39,181,398**	39,093,024
Fees and commissions		**37,333,065**	27,219,099
Supervision fees		**36,550,409**	12,463,506
Supplies		**26,478,594**	20,105,681
Janitorial and messengerial services		**24,777,985**	21,954,500
Power, light and water		**23,308,640**	18,407,164
Rentals	11.3	**21,412,830**	9,243,079
Information technology		**13,390,860**	14,095,079
Management and other professional fees		**11,611,718**	22,842,261
Repairs and maintenance		**7,700,739**	5,632,256
Transportation and travel		**7,007,911**	9,478,277
Litigation/assets acquired expenses		**6,741,708**	4,044,140
Seminars and trainings		**6,610,172**	11,212,696
Fuel		**6,415,986**	4,259,095
Directors' fees		**3,530,000**	2,939,841
Representation and entertainment		**2,433,687**	2,499,457
Freight		**1,040,599**	943,301
Loss on sale of properties – net	12, 13	**-**	45,164,064
Donations and charitable contributions		**-**	12,000,000
Miscellaneous	19.2	**64,622,277**	72,811,361
		P 3,140,733,772	P 2,870,908,428

Miscellaneous expense includes basic deficiency taxes and interest, outsourcing fees on ATM, guarantee fees, recruitment fees, bank service charges, and fines and penalties, among others.

19. EMPLOYEE BENEFITS

19.1 Employee Benefits Expense

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

	2021	2020
Short-term employee benefits	**P 646,426,471**	P 631,130,268
Post-employment defined benefit	**28,155,300**	34,097,500
	P 674,581,771	P 665,227,768

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 2021 and 2020.

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

	2021	2020
Present value of the obligation	**P 192,908,600**	P 206,841,300
Fair value of plan assets	**(65,154,500)**	(51,671,500)
	P 127,754,100	P 155,169,800

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

	2021	2020
Balance at beginning of year	**P 206,841,300**	P 224,769,700
Current service costs	**28,155,300**	34,097,500
Benefits paid	**(13,531,600)**	(5,792,800)
Remeasurements –		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(40,951,700)**	(54,372,000)
Experience adjustments	**5,748,000**	(489,500)
Interest expense	**6,647,300**	8,628,400
Balance at end of year	**P 192,908,600**	P 206,841,300

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

	2021	2020
Balance at beginning of year	**P 51,671,500**	P 55,528,500
Contributions to the plan asset	**26,422,500**	-
Benefits paid	**(13,531,600)**	(5,792,800)
Interest income	**2,034,100**	2,473,700
Actuarial losses on plan asset	**(1,442,000)**	(537,900)
Balance at end of year	**P 65,154,500**	P 51,671,500

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

	2021	2020
Savings accounts	**P 37,779,500**	P 6,891,668
Time deposit accounts	**23,000,000**	40,203,015
Mutual fund investments	**4,375,000**	4,576,817
	P 65,154,500	P 51,671,500

The fair values of the mutual fund investments are determined based on quoted market prices of the underlying assets in active markets (classified as Level 2 of the fair value hierarchy).

Actual return on plan assets was P0.6 million in 2021 and P1.9 million in 2020.

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:

	2021	2020
Reported in profit or loss		
Current service cost	**P 28,155,300**	P 34,097,500
Net interest expense	**4,613,200**	6,154,700
	P 32,768,500	P 40,252,200

		2021		2020
Reported in other comprehensive income (loss)				
Actuarial gains (losses) arising from changes in:				
Financial assumptions	**P**	**40,951,700**	P	54,372,000
Experience adjustments	**(**	**5,748,000)**		489,500
Return on plan assets (excluding amounts included in net interest expense)	**(**	**1,442,000)**	(	537,900)
	P	**33,761,700**	P	54,323,600

The net interest expense in 2021 and 2020 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:

	2021	2020
Discount rates	**5.00%**	3.50%
Expected rate of salary increases	**4.00%**	3.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 55 is 15 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is composed of investment in time deposit accounts and mutual fund investments. Due to the long-term nature of the plan obligation, a combination of time deposit accounts and mutual fund investments is an appropriate element of the Bank's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Bank's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(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, 2021 and 2020:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2021			
Discount rate	**+/-1.00%**	**(P 171,110,200)**	**P 218,801,900**
Salary growth rate	**+/-1.00%**	**219,081,000**	**(171,677,000)**
December 31, 2020			
Discount rate	+/-1.00%	(P 181,265,100)	P 238,121,800
Salary growth rate	+/-1.00%	237,958,200	(181,600,700)

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 P127.8 million based on the latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about five to ten years' time when the current fair value of plan assets is not enough to cover the expected retirement benefit payments.

The Bank expects to make contribution of P52.1 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:

	2021	2020
Within one year	**P 22,289,957**	P 26,422,508
More than five years to ten years	**21,912,411**	20,029,574
More than five years to ten years	**79,987,830**	69,863,838
	P 124,190,198	P 116,315,920

The weighted average duration of the defined benefit obligation at the end of the reporting period is 13 years.

20. RELATED PARTY TRANSACTIONS

The Bank's related parties include its associate, entities under common ownership, key management personnel and others as described in Note 2.17.

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

Related Party Category	Notes	2021 Amount of Transaction	2021 Outstanding Balance	2020 Amount of Transaction	2020 Outstanding Balance
Related Parties Under Common Ownership					
DOSRI loans	20.1	**P 665,000,000**	**P 665,000,000**	P 504,000,000	P 195,000,000
Referral commission	20.2	**838,456,556**	**(92,075,282)**	751,721,752	(89,005,027)
Collection fees	20.4	**806,860,472**	**(27,581,000)**	169,543,482	(40,308,440)
Deposit liabilities	20.9	**560,332,775**	**(560,332,775)**	-	-
Selling commission	20.3	**100,619,265**	**(8,937,577)**	93,458,517	(7,907,647)
Accounts payable	20.8	**61,998,343**	**(61,998,343)**	-	-
Credit Investigation support services	20.5	**31,650,500**	**(5,655,000)**	-	-
Accounts receivable	20.7	**25,333,424**	**25,333,424**	-	-
Interest income	20.1	**10,615,012**	**-**	9,961,807	-
Leases	11	**33,588,914**	**-**	34,642,423	-
Associate					
Collection fees	20.4	**-**	**-**	527,076,282	(24,134,906)
Deposit liabilities	20.9	**-**	**-**	311,328,029	(311,328,029)
Dividend received	12	**-**	**-**	240,000,000	240,000,000
Credit investigation support services	20.5	**-**	**-**	95,075,300	(1,830,346)
Share in net profit	12	**-**	**-**	98,377,217	173,386,309
Accounts payable	20.8	**-**	**-**	63,381,703	(63,381,703)
Investment	14	**(800,000,000)**	**-**	-	800,000,000
Accounts receivable	20.7	**-**	**-**	34,320,813	34,240,813
Leases	11	**-**	**-**	(396,185)	-
Key Management Personnel					
Compensation	20.10	**61,743,194**	**-**	62,813,487	-
DOSRI loans	20.1	**-**	**-**	22,000,000	2,693,139
Interest income	20.1	**-**	**-**	868,236	-

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 amount of individual loans to DOSRI, of which 70.00% must be secured, should not exceed the amount of their deposits and the book value of their investments in the Bank. In aggregate, loans to DOSRI generally should not exceed the total capital funds or 15.00% of the total loan portfolio of the Bank, whichever is lower. The Bank complied with the restrictions on DOSRI loans as of December 31, 2021 and 2020.

The total DOSRI loans amounted to P665.0 million and P197.7 million as of December 31, 2021 and 2020, 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 2.69% to 9.50%, and from 3.81% to 6.45% for 2021 and 2020, respectively, are fully secured, and have terms ranging from one month to five years. The percentage of DOSRI to total loans in 2021 and 2020 is 2.20% and 0.66%, respectively. There were no past due and nonperforming DOSRI loans in 2021 and 2020. ECL recognized in 2021 and 2020 on DOSRI loans amounted to P6.6 million and P2.0 million, respectively.

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 fixed fee 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, 2021 and 2020 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 P65.2 million and P51.7 million as at December 31, 2021, and 2020, respectively, were established by the Bank as plan assets for the retirement plan. Interest income earned by the time deposits amounted to P1.4 million, and P2.5 million in 2021 and 2020, 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 and netted against Accounts payable presented under the Accounts Payable and Other Liabilities account and non-interest bearing, due and demandable in cash upon demand (see Note 16).

20.8 Accounts Payable

This pertains to collections of BFC deposited to the account of the Bank. These have the same terms as that of third parties. This is presented as part of Accounts payable presented under the Accounts Payable and Other Liabilities account (see Note 16).

20.9 Deposit Liabilities

The Bank has deposit liabilities to BFC amounting to P560.3 million and P311.3 million as at December 31, 2021 and 2020, and is presented as part of Deposit Liabilities in the statements of financial position (see Note 15).

Deposit liabilities transactions with its associate have similar terms with other counterparties (see Note 15). Annual interest rates is 0.75% both in 2021 and 2020.

Moreover, in the ordinary course of business, the Bank has deposit transactions with certain related parties and with outstanding deposit balance amounting to P12.3 billion as at December 31, 2021 and 2020, respectively.

20.10 Key Management Personnel Compensation

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

	2021	2020
Short-term benefits	**P 40,626,740**	P 37,240,387
Post-employment benefits	**21,116,454**	25,573,100
	P 61,743,194	P 62,813,487

21. TAXES

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Bank:

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return of the Bank, was lower by P71.0 million than the amount presented in the 2020 financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax assets as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized deferred tax asset in 2020 by P97.2 million and such was recognized in the 2021 profit or loss (P96.5 million) and in other comprehensive (P0.7 million).

	2021	2020
Profit or loss		
Current tax expense:		
RCIT at 25% in 2021 and 30% in 2020	**P 878,521,023**	P 799,489,577
Final taxes	**41,656,398**	56,046,884
Adjustment in 2020 income taxes due to change in income tax rate	**(70,987,116)**	-
	849,190,305	855,536,461
Deferred tax income relating to origination and reversal of temporary differences	**(8,588,076)**	(26,161,234)
Effect of the change in income tax rate	**96,504,950**	-
	87,916,874	(26,161,234)
	P 937,107,179	P 829,375,227
Other comprehensive income		
Deferred tax expense relating to origination and reversal of temporary differences	**P 8,440,425**	P 16,297,080
Effect of the change in income tax rate	**673,500**	-
	P 9,113,925	P 16,297,080

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

	2021	2020
Tax on pre-tax profit at 25% in 2021 and 30% in 2020	**P 928,248,637**	P 853,660,705
Effect of the change in income tax rate	**25,517,834**	-
Adjustments for income subjected to final tax	**(26,637,888)**	(17,178,037)
Tax effects of:		
Non-taxable income	**(12,177,883)**	(42,254,403)
Non-deductible expenses	**22,156,479**	35,146,962
Tax expense	**P 937,107,179**	P 829,375,227

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

	2021	2020
Deferred tax assets:		
Allowance for impairment	**P 624,839,327**	P 776,390,153
Lease liabilities	**32,612,984**	59,276,359
Retirement benefit obligation	**31,938,475**	46,550,880
Unrealized loss on repossession	**29,148,340**	24,136,524
Depreciation of investment properties	**22,700,54**	21,939,147
	741,239,670	928,293,063
Deferred tax liabilities:		
Deferred loan origination costs	**(226,695,296)**	(290,938,045)
Right-of-use asset	**(28,389,866)**	(54,169,711)
	(255,085,162)	(345,107,756)
Net deferred tax assets	**P 486,154,508**	P 583,185,307

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:

	2021	2020
Profit or loss:		
Allowance for impairment losses	**P 151,550,826**	(P 141,454,576)
Amortized loan origination costs	**(64,242,749)**	118,491,781
Amortization of right-of-use asset	**(25,779,845)**	(17,261,667)
Lease liabilities	**26,663,375**	15,299,187
Unrealized loss on repossession	**(5,011,816)**	15,053,125
Retirement benefit obligation	**5,498,480**	(12,075,660)
Depreciation of investment properties	**(761,397)**	(4,213,424)
Deferred tax income	**(P 87,916,874)**	(P 26,161,234)
Other comprehensive income –		
Retirement benefit obligation	**(P 9,113,925)**	(P 16,297,080)

The Bank is subject to the MCIT which is computed at 1% and 2% of gross income in 2021 and 2020, respectively, as defined under the tax regulations, or RCIT, whichever is higher.

No MCIT was reported in 2021 and 2020 as the RCIT was higher than MCIT in both years.

The Bank opted to claim itemized deductions in 2021 and 2020 in the computation of its income tax due.

22. COMMITMENTS AND CONTINGENCIES

There are commitments, guarantees and contingent liabilities that arise in the normal course of the Bank's operations that are not reflected in the financial statements. The Bank recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. As at December 31, 2021 and 2020, management is of the opinion that losses, if any, from the foregoing items will not have a material effect on the Bank's financial statements.

23. CURRENT AND NON-CURRENT CLASSIFICATION OF RESOURCES AND LIABILITIES AND SUPPLEMENTAL INFORMATION TO STATEMENT OF CASH FLOWS

23.1 Current and Non-Current Classification of Resources and Liabilities

	Current	Non-current	Total
December 31, 2021			
Cash	P 117,680,451	P -	P 117,680,451
Due from BSP	6,114,137,502	-	6,114,137,502
Due from other banks	285,254,259	-	285,254,259
Investment securities - net	752,299,668	5,401,395,445	6,153,695,113
Loans and other receivables - net	10,700,667,985	21,404,835,548	32,105,503,533
Assets held-for-sale - net	364,175,140	-	364,175,140
Bank premises, furniture, fixtures and equipment - net	-	216,134,638	216,134,638
Right-of-use assets-net	-	113,559,465	113,559,465
Investment properties - net	-	206,977,414	206,977,414
Deferred tax assets - net	-	486,154,508	486,154,508
Other resources - net	99,845,871	36,734,633	136,580,504
Total Resources	**P 18,434,060,876**	**P 27,865,791,651**	**P 46,299,852,527**
Deposit liabilities	P 22,686,532,990	P 7,788,480,169	P 30,475,013,159
Accounts payable and other liabilities	920,507,164	207,347,116	1,127,854,280
Total Liabilities	**P 23,607,040,154**	**P 7,995,827,285**	**P 31,602,867,439**
December 31, 2020			
Cash	P 79,102,342	P -	P 79,102,342
Due from BSP	6,539,156,821	-	6,539,156,821
Due from other banks	1,549,294,119	-	1,549,294,119
Investment securities - net	12,720,872	2,091,446,942	2,104,167,814
Loans and other receivables - net	9,143,124,771	22,745,139,905	31,888,264,676
Assets held-for-sale - net	1,328,549,906	-	1,328,549,906
Bank premises, furniture, fixtures and equipment - net	-	209,542,322	209,542,322
Right-of-use assets-net	-	180,565,705	180,565,705
Investment properties - net	-	214,283,383	214,283,383
Deferred tax assets - net	-	583,185,307	583,185,307
Other resources - net	114,463,693	89,094,431	203,558,124
Total Resources	P 18,766,412,524	P 26,113,257,994	P 44,879,670,518
Deposit liabilities	P 21,198,027,516	P 8,244,647,863	P 29,442,675,379
Accounts payable and other liabilities	1,219,870,476	281,172,256	1,501,042,732
Total Liabilities	P 22,417,897,992	P 8,525,820,119	P 30,943,718,111

23.2 Supplemental Information to Statement of Cash Flows

Significant non-cash transactions in 2021 are as follows:

- The Bank recognized additional right-of-use assets and lease liabilities amounting to P4.5 million in 2021 (see Note 11).

- Transfers from Loans and Receivables to Assets Held for Sale amounted to P2.4 billion (see Notes 9 and 12).

- Transfers from Loans and Receivables to Investment Properties as a result of foreclosures amounted to P32.5 million (see Notes 9 and 13).

- The Bank reclassified certain investment securities at FVOCI with carrying amount of P5.5 billion to financial assets at amortized cost (see Note 8).

Significant non-cash transaction in 2020 are as follows:

- The Bank recognized additional right-of-use assets and lease liabilities amounting to P24.9 million (see Note 11).

- Transfers from Loans and Receivables to Assets Held for Sale amounted to P4.0 billion (see Notes 9 and 12).

- Transfers from Loans and Receivables to Investment Properties as a result of foreclosures amounted to P23.9 million (see Notes 9 and 13).

- The Bank reclassified its Investment in Associate amounting to P971.4 million to Assets Held for Sale account in accordance with PFRS 5 (see Note 12).

- The Bank reclassified certain investment securities at amortized cost with carrying amount of P1.5 billion to financial assets at FVOCI (see Note 8).

24. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP MORB to be disclosed as part of the notes to financial statements based on BSP Circular 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) Selected Financial Performance Indicators

The following are some indicators of the Bank's financial performance.

	2021	2020
Return on average equity Net profit / Average total capital accounts	**20.57%**	14.49%
Return on average resources Net profit / Average total resources	**6.09%**	4.31%
Net interest margin Net interest income / Average interest earning resources	**22.11%**	19.57%

(a) 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	**2021**	2020
Common share (CET 1)	18.1	**P5,000,000,000**	P5,000,000,000

(b) 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:

	2021		2020	
	Amount	**Percentage**	Amount	Percentage
Consumption	**P 21,688,537,367**	**71.21%**	P 22,797,950,146	76.10%
Wholesale and retail trade	**2,051,883,014**	**6.74%**	1,282,559,513	4.28%
Real estate, renting and other related activities	**1,662,231,539**	**5.46%**	1,694,785,459	5.66%
Agriculture, hunting and forestry	**1,285,206,727**	**4.22%**	1,206,907,535	4.03%
Other community, social and personal services	**732,087,597**	**2.40%**	375,669,830	1.25%
Financial and insurance activities	**528,038,932**	**1.73%**	12,163,593	0.04%
Electricity, gas and water	**522,366,790**	**1.72%**	569,488,776	1.90%
Transportation, storage and communication	**499,622,551**	**1.64%**	540,898,936	1.81%
Construction	**472,544,544**	**1.55%**	338,862,345	1.13%
Manufacturing	**408,978,280**	**1.34%**	506,418,289	1.69%
Human health and social service activities	**335,558,565**	**1.10%**	167,809,635	0.56%
Accommodation and food service	**215,996,770**	**0.71%**	200,422,686	0.67%
Education	**40,789,066**	**0.13%**	245,051,482	0.82%
Private household	**14,626,709**	**0.05%**	17,961,866	0.06%
Mining and quarrying	**-**	**0.00%**	1,161,308	0.00%
	P 30,458,468,451	**100%**	P 29,958,111,399	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.

(c) 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:

	2021	2020
Secured:		
Real estate mortgage	**P 1,067,770,531**	P 345,114,482
Hold out deposits	**694,895,885**	277,256,049
Others	**467,618,682**	445,432,285
	2,230,285,098	1,067,802,816
Unsecured	**28,228,183,353**	28,890,308,583
	P 30,458,468,451	P29,958,111,399

(d) Credit Status of Loans

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

	2021		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Consumption loans	P22,214,086,056	P 2,496,213,202	P24,710,299,258
Commercial loans	4,204,174,402	1,396,236,500	5,600,410,902
mSME loans	91,570,567	56,187,724	147,758,291
	26,509,831,025	3,948,637,426	30,458,468,451
Allowance for ECL	(126,841,978)	(1,911,830,138)	(2,308,672,116)
Net carrying amount	**P26,382,989,047**	**P 2,036,807,288**	**P28,419,796,335**

	2020		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Consumption loans	P24,119,770,077	P 945,783,782	P25,065,553,859
Commercial loans	3,478,080,807	640,783,611	4,118,864,418
mSME loans	506,956,099	266,737,023	773,693,122
	28,104,806,983	1,853,304,416	29,958,111,399
Allowance for ECL	(1,193,931,358)	(1,110,273,119)	(2,304,204,477)
Net carrying amount	P26,910,875,625	P 743,031,297	P27,635,906,922

As at December 31, 2021 and 2020, the nonperforming loans (NPLs) not fully covered by allowance for credit losses follow:

	2021	2020
Gross NPLs	**P 3,948,637,426**	P 1,853,304,416
NPLs fully covered by allowance for impairment	**(1,150,420,396)**	(823,969,134)
	P 2,798,217,030	P 1,029,335,282

(e) 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)**	
	2021	2020	**2021**	2020
Total outstanding loans	**P665,000,000**	P196,742,304	**P670,476,187**	P197,693,139
% of loans to total loan portfolio	**2.2%**	0.7%	**2.2%**	0.7%
% 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 2021 and 2020; hence, no impairment loss on them have been recognized in both years.

(f) Secured Liabilities and Assets Pledged as Security

The Bank did not have any secured liabilities nor assets pledged as security as at December 31, 2021 and 2020.

(g) 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, 2021 and 2020.

25. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year which is required by the BIR under Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

(a) GRT

In lieu of the value-added tax, the Bank is subject to the GRT imposed on all banks and non-bank financial intermediaries performing quasi-banking function pursuant to Section 121 of the Tax Code, as amended.

In 2021, the Bank reported total gross receipts tax amounting to P497,900,947 as shown under Taxes and Licenses [see Note 25(d)], in which P497,900,947 was paid during the year.

The breakdown of the GRT is shown below.

	Gross Receipts	GRT
Income derived from lending activities	P 8,907,081,775	P 489,371,913
Other income	118,848,931	8,529,034
	P 9,025,930,706	**P 497,900,947**

(b) DST

The movements in unused DST are summarized below.

Balance at beginning of year	P 26,169,705
Purchased	154,000,000
Affixed	(157,404,257)
Balance at end of year	**P 22,765,448**

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, P32,192,592 was charged to clients, while P125,211,666 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, 2021 are shown below.

Final	P 228,471,542
Expanded	174,565,456
Compensation and benefits	51,109,067
	P 454,146,065

(d) *Taxes and Licenses*

The details of taxes and licenses in 2021 are as follows:

	Notes	
GRT	25(a)	P 497,900,947
DST	25(b)	125,211,666
Local taxes and business permit		28,094,256
Fringe benefits tax		2,726,529
Real property taxes		3,286,099
Miscellaneous		1,710,651
		P 658,930,148

(e) *Excise Taxes*

The Bank did not have any transactions in 2021 subject to excise tax.

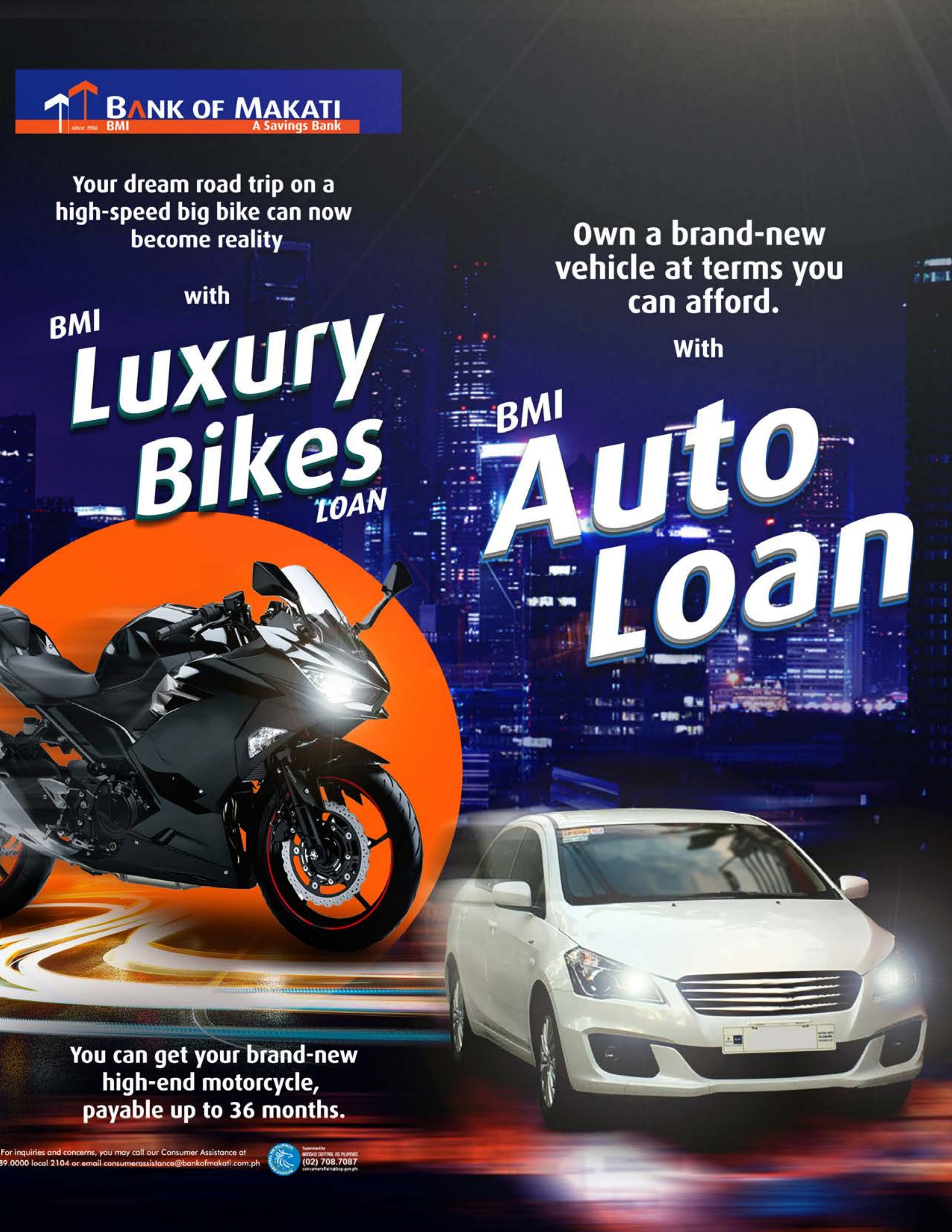
(f) *Taxes on Importation*

The Bank has not paid or accrued any customs duties and tariff fees as it has no importation for the year ended December 31, 2021.

(g) *Deficiency Tax Assessment and Tax Cases*

In 2021, the Bank paid deficiency taxes on gross receipts tax, documentary stamp tax, and income taxes related to taxable year 2018.

As of December 31, 2021, 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.



BANK OF MAKATI
since 1956 BMI
A Savings Bank
Your dream road trip on a high-speed big bike can now become reality
with
BMI Luxury Bikes LOAN
Own a brand-new vehicle at terms you can afford.
With
BMI Auto Loan
You can get your brand-new high-end motorcycle, payable up to 36 months.
For inquiries and concerns, you may call our Consumer Assistance at 89.0000 local 2104 or email consumerassistance@bankofmakati.com.ph
Supervised by
BANGKO SENTRAL NG PILIPINAS
(02) 708.7087
consumeraffairs@bsp.gov.ph

OUR NETWORK

METRO MANILA

MAKATI CITY (Main Branch)
Ayala Avenue near corner
Metropolitan Avenue, Makati City
(632) 8816 -1382 / 8816 -1381
816-1385 / 0920-9711069

BACLARAN (Microfinance)
392 Quirino Avenue
Baclaran, Parañaque City
8556-0609/8556-0066/09209711053

BLUMENTRITT (Microfinance)
One Albert Place
2557 P. Guevarra Street, corner
Tecson Street, Sta. Cruz, Manila
3-4935949 / 3-4935617 / 0920-9711056

BUENDIA (Microfinance)
44 Sentor Gil Puyat Avenue
Barangay San Isidro, Makati City
8886-3696 / 0920-9711057

CALOOCAN
Aurelio Bldg. III, 11th Avenue corner
Rizal Avenue Extension
Grace Park, Caloocan City
8442-3720 / 8364-9039 / 8367-7891
0949-8832180/0933-8285146

CAMARIN (Microfinance)
654 Area A, Camarin, Caloocan City
(02) 8294-1768 / 8294-0764
0949-8831497

COMMONWEALTH (Microfinance)
Unit 3 & 4 Mount Sinai Heights Building
71-B Commonwealth Avenue
East Fairview, Quezon City
83652060 / 82885876 / 0920-9711059

CUBAO - P. TUAZON (Microfinance)
Metrolane Complex
P. Tuazon Boulevard corner 20th Avenue
Cubao, Quezon City
(02) 3437-0580 / (02) 3438-3303
0920-9711060

GRACE PARK
VSP Condominium
1607-C Rizal Avenue Extension
Grace Park, Caloocan City
8288-3206 / 8288-2663 /0949-8831496

GREENHILLS (Microfinance)
Medecor Bldg. 222 Ortigas Avenue
Greenhills, San Juan City
8997-4162 / 8997-3944 / 9178201603

GUADALUPE (Microfinance)
Ground Floor, Guadalupe Commercial
Complex No. 9 EDSA, Guadalupe, Makati City
8478-3403 / 0949-8831503

KALENTONG (Microfinance)
Ground Floor, P&D Building, New Panaderos
St. Brgy. Pag-asa, Mandaluyong City,
Metro Manila
84772568 / 84772591 / 0949-8831435

LAS PIÑAS
Unit 3, Star Arcade, CV Starr Avenue
Philamlife Village, Pamplona 2
Las Piñas City
8877-6979/8877-8129 /09209711067

MAKATI - EVANGELISTA (Microfinance)
NSR Building, 1837 Evangelista Street
corner Dallas Street, Barangay Pio del Pilar
Makati City
8845-1202 / 8845-1201 / 0920-9711064

MUNTINLUPA
Presnedi Building
305 National Road,Putatan
Muntinlupa
8777-2497 / 8777-3098 / 0920-9711072

PASAY - LIBERTAD (Microfinance)
Liberty Commercial Complex
Libertad Street corner F.B. Harrison Street
Pasay City
8-804-2696 / 8-804-2680 / 9178353651

PASIG - RAYMUNDO (Microfinance)
G/F JG Building
C. Raymundo Avenue, Barangay Rosario
Pasig City
8650-2972/8650-2970/09209711076

RETIRO (Microfinance)
270 Unit-C, N.S. Amoranto Street
Quezon City
(02) 3411-3512/ (0949) 883.1502

ROOSEVELT (Microfinance)
336 Roosevelt Avenue
Quezon City
3431-9150 / 3415-1732 / 0920-9711078

VALENZUELA
238 McArthur Highway
Karuhatan, Valenzuela City
8283 – 7175 / 8285 – 0670 / 0949-8831501

ANTIPOLO
4 Senator Lorenzo Sumulong Memorial Circle
Barangay San Roque, Antipolo City Rizal
(02) 8696-5585 / (0920) 971.1052

BALIUAG
Benigno S. Aquino Avenue
Poblacion, Baliuag, Bulacan
044 7988281 & 044 7677278
0920 9711054/0998 9698505

BATAAN
G/F L&R Building
Don Manuel Banzon Avenue
Balanga City, Bataan
(047) 237-6625 / 0949-8831433

BATANGAS
Unit 4, Mayvel Center
Pallocan Avenue, Pallocan West
Batangas City
043-702 2384 / 0920-9711055

BIÑAN
A. Bonifacio Street
Biñan, Laguna
049-8342393 / 5119299 / 0949-8831495

CABANATUAN
333 B-3 Burgos Street
Sangitan, Cabanatuan City
Nueva Ecija
(044) 463-3967 / 0949-8831500

CALAPAN
Unit 1 Roxas Drive, Lumangbayan
Calapan City, Oriental Mindoro
(043) 288.2228 / (0949) 883.1508

DAET
TPI Building, Vinzons Avenue
Barangay IV, Mantagbac
Daet, Camarines Sur
(054)-887-9997 / 0920-9711061

DAGUPAN
One Grande Building, Arellano Street
Dagupan City
075) 515 - 2459 / 522 - 5072
0920-9711062

DASMARIÑAS
B55 L7 Golden Miles Molino
Paliparan Road, Barangay Salawag
Dasmariñas City, Cavite
046-4381863 ; 046-4381867/09498831507

LAOAG
Enrico's Building
General Luna Avenue corner General Siazon
Road
Laoag City, Ilocos Norte
077 771 5385/0949 8831438

LA UNION
Nera Building, Quezon Avenue
San Fernando, La Union
072 687 1519/09498831436

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) 756-3386/756-3481
0949-8832181/0998-9883940

LUCENA
G/F Emperor Building
Merchan Street corner Evangelista Street
Lucena City
(042) 710-9169 / 710-9168
0920-9711068

MALOLOS
Lot 698-A. Paseo Del Congreso Road
Malolos City, Bulacan
(044) 791 7513 - 7917514
09209711070 / 09338285140

MARCOS HIGHWAY
Units 3 & 4 Park Place Building
Marcos Highway corner
Vermont Park Main Gate
Barangay Mayamot, Antipolo City
8470-3066 / 7212-2521 / 0920-9711071

MARIKINA
19 Bayan-Bayanan Avenue
Concepcion I, Marikina City
(02) 8721-8238/ 8721-8244 / 0949-8831505

MEYCAUAYAN
G/F Mancon Building
MacArthur Highway Barangay Calvario
Meycauyan City, Bulacan
044- 7696064 / 09178285043

NAGA
89 Elias Angeles Street
Naga City, Camarines Sur
(054) 4739898 / (02) 2508124
09178456510

PAMPANGA
Diamond Building
MacArthur Highway
Dolores San Fernando, Pampanga
(045) 961-6881 / 961-1354 / 0920-9711075

PUERTO PRINCESA
Prime One Properties Building
Km.1 National Highway Barangay
San Miguel Puerto Prinsesa City, Palawan
(048) 434 - 2053 / 717 – 3493
0949 – 883-1442 / 0919-0805594

RODRIGUEZ
137 Rodriguez Highway
Manggahan, Rodriguez Rizal
(02)84703581 / 0920-9711077

SAN PABLO
52 Colago Avenue, Barangay VI-E
San Pablo City, Laguna
049-5620646 / 0949-8831509/09209755967

SANTIAGO
Villarica Building
Purok 4 City Road corner Quezon Street
Centro West, Santiago City
(078) 305-2082 / 0917-8353237

TARLAC
1048 F. Tañedo Street
San Nicolas,Tarlac City
Tarlac
(045)-982-1021 / 982-1404 /0920-9711079

TUGUEGARAO
Rizal corner Gomez Street
Tuguegarao City, Cagayan
(078) 844-8577 / 304-0113 / 0949-8831506

URDANETA
National Highway, Nancayasan
Urdaneta City, Pangasinan
075-6335640 / 075-6530847 /09498831443

VALENZUELA
283 McArthur Highway, Karuhatan,
Valenzuela City
8283 – 7175 / 8285 – 0670 / 0949-8831501

VIGAN
VQR Building
Quezon Avenue corner Mabini Street
Vigan, Ilocos Sur
(077)632-0911 /)722-5188 / 0949-8831510

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 / 0949-8831431

CEBU
S & L Tanchan Building
51 Colon Street
Parian, Cebu City
032 -255-6982 / 0949-8831434

ILOILO
John Tan Building
Iznart Street, Iloilo City
Iloilo
(033) 3358853/(033)3358851/09209711066

TACLOBAN
Oscar Dy Building
Real Street, Sagkahan District
Tacloban City, Leyte
(053) 832-3066/09985913886
09674112332/09672510613

BUTUAN
Lucibenino Building, JC Aquino Avenue
Butuan City, Agusan Del Norte
(085) –2250406/ 0920-9711058

CAGAYAN DE ORO
Jimar Bldg. Don Apolinar Velez St. cor Gomez
Cagayan De Oro City, Misamis Oriental
(088) 233-2159 / 0905-8331753

DAVAO
CV REALTY Building, Quimpo Boulevard,
Ecoland, Matina, Davao City
(082) 298-1740 / 285-2608 /0920-9711063
GENERAL SANTOS

MINDANAO

RD Building, Santiago Boulevard
General Santos City, South Cotabato
083 552-0871/09209711065/09998858483

PAGADIAN
ZMS Building, Rizal Avenue
Pagadian City, Zamboanga Del Sur
(062) 925-2879 / 0920-9711073

TAGUM
Cacayorin Building
Circumferential Road New Public Market
Tagum City, Davao
(084)216-3219 / 09178457617

VALENCIA
Larstel Building 2
1924 Fortich Street, Lavina Avenue
Barangay Poblacion, Valencia City, Bukidnon
(088)-828-5294 / 09178109555

ZAMBOANGA
G/F RHW Building
Mayor Jaldon Street, Barangay Cañelar
Zamboanga City, Zamboanga Del Sur
(062) 955 – 0655 / 0917-844-4053

BRANCH LITE UNITS

ANGELES, PAMPANGA
BACOLOD CITY, NEGROS OCCIDENTAL
BATANGAS CITY, BATANGAS
BINANGONAN, RIZAL
BOAC, MARINDUQUE
BONGABONG, ORIENTAL MINDORO
CALAMBA, LAGUNA
CALBAYOG, SAMAR
CALINAN, DAVAO DEL SUR
DAET, CAMARINES NORTE
DIGOS, DAVAO DEL SUR
DUMAGUETE, NEGROS ORIENTAL
GAPAN, NUEVA ECIJA
GUMACA, QUEZON
ILIGAN CITY, LANAO DEL NORTE
IMUS, CAVITE
IPIL, ZAMBOANGA
IRIGA CITY, CAMARINES SUR
KABANKALAN, NEGROS OCCIDENTAL
KALIBO, AKLAN
KIDAPAWAN CITY, DAVAO DEL SUR
LEMERY, BATANGAS
MALABON, METRO MANILA
MANDAUE, CEBU
MASBATE CITY, MASBATE
NARRA, PALAWAN
OLONGAPO, PAMPANGA
RODRIGUEZ, RIZAL
ROXAS, ISABELA
SAN FRANCISCO, AGUSAN DEL SUR
SAN JOSE DEL MONTE, BULACAN
SAN JOSE, NUEVA ECIJA
SORSOGON, BICOL
T. MARTIRES, CAVITE
TAGBILARAN, BOHOL
TAGUIG CITY, METRO MANILA
TAGUM CITY, DAVAO DEL NORTE
TANAUAN, BATANGAS
TAYTAY, RIZAL
VIRAC, CATANDUANES