Towards a **Stronger Future**

Annual Report **2019**

True to early predictions by economists at the close of 2018, the year 2019 turned out to be a better one for the Philippine financial market. Although the Philippines' gross domestic product settled at an average of 5.9% -- lower than the government's target of between 6% and 6.5% -- Philippine banks generated earnings of Php230.42 billion for the year, 28.2% higher than in 2018.

In similar fashion, 2019 also ended on a high note for Bank of Makati (A Savings Bank), Inc. Our net income surpassed P2.5 billion, setting a new milestone for our bank. In our more than 60 years of existence, never have we been stronger.

This renewed strength augurs well for us as we see 2020 run its course. Unprecedented challenges ushered in the New Year with the Taal Volcano eruption and then later the global pandemic. There is still much uncertainty, but with our very stable financials, the unwavering commitment and professionalism of every BMIer, and the continuing trust and support of our clients and stakeholders, we remain optimistic that we will meet every challenge head on, and emerge a stronger and more focused bank.

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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 share holders 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.

the **BMI** brand

BMI's catch phrase, "Diretso. Asenso." conveys the aspirations of our bank's target market: the impassioned micro, small and medium entrepreneur (mSME); the hardworking young professional; the budget-conscious consumer; the father who aims to provide for his family; the mother who tries to make ends meet; and the student who dreams of finishing school.

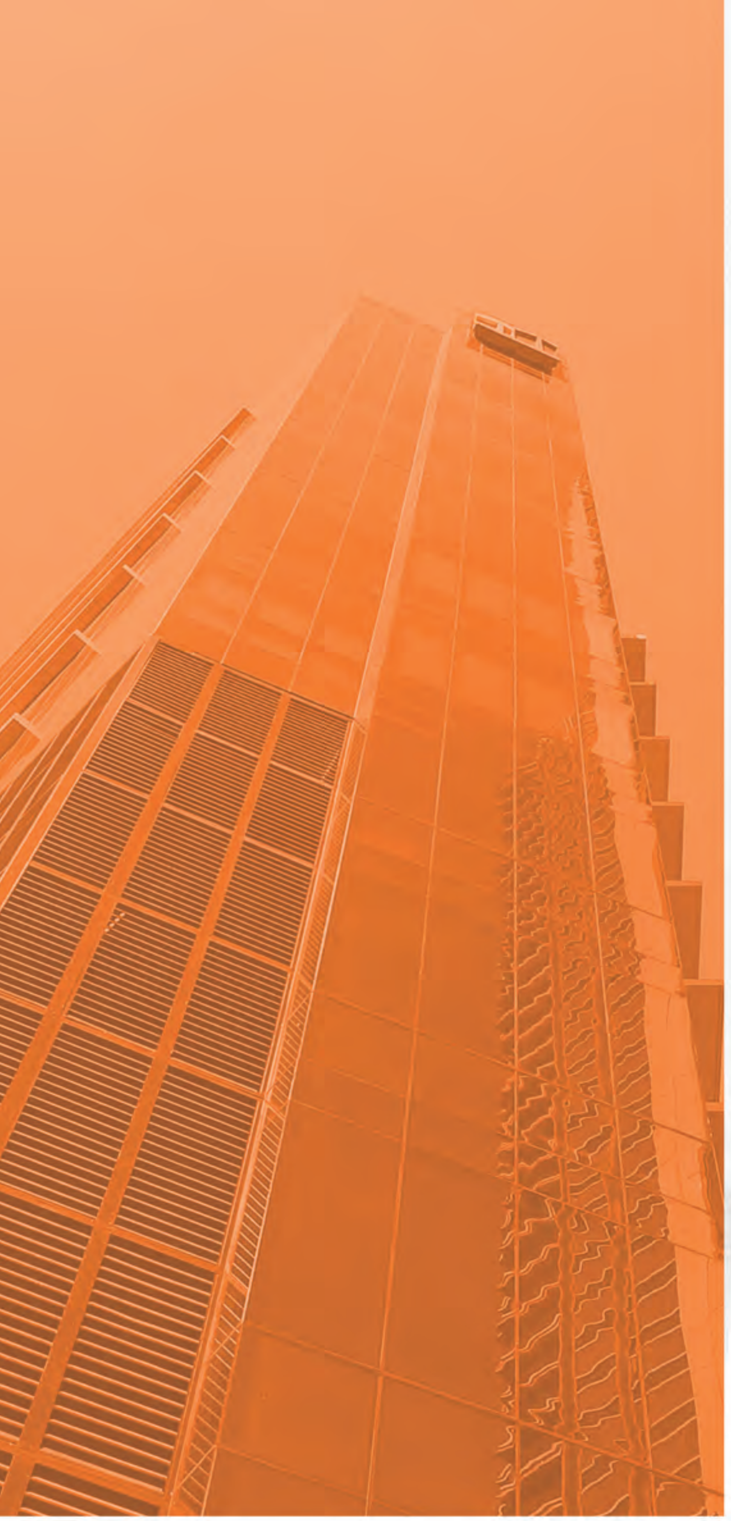
They desire to earn and save money for a better future, or to grow their business or pursue a dream. Yet they are hampered by the lack of know-how and determination. With "Diretso. Asenso." we offer them a means to achieve their goals through simple and no-frills banking.

At Bank of Makati, we make it easy for Filipino savers and entrepreneurs to open an account or secure a loan through our accessible and affordable products, and friendly, personalized service.

- Our Power Negosyo Enterprise Loan provides micro and small businessmen a non-collateral loan with minimal documentary requirements.
- Our loan products come with low interest rates suitable for striving businesses.
- Savers seeking to avail of our deposit products can open accounts with low initial deposits.
- Our bank personnel go out of their way to make it easy for clients to transact business with us, from doing house calls to deliver documents to assisting in getting financial statements in order

With more than 60 years in community banking, Bank of Makati has helped countless Filipinos fulfill their dreams through our "Diretso. Asenso." brand of service.

In the coming years, we look forward to further building our community of Filipino savers and entrepreneurs!



BUSINESS MODEL

Bank of Makati, from being the leading rural bank in the country, upgraded to a savings bank in 2015 as part of its long-range strategic plans. BMI envisions itself to be the micro, small and medium entrepreneurs' (mSME) bank of choice. With a well-defined market, BMI zeroed in on how we can better serve our targeted clients who want simpler, easier and straightforward banking. Our service delivery proposition is DIRETSO. ASENSO. In addition, as a powerful sales call to our market, mSMEs, we adopted as our tagline MALALAPITAN, MAAASAHANG KAIBIGAN.

BMI is a low-cost, high quality provider of financial services. We have established 62 branches in key provincial cities and towns in the country, including Metro Manila. In support of our vision to promote financial inclusion, BMI aims to be present in more unbanked/underbanked areas, a market, which, according to a study by the BSP, is still at 69%.

BMI has range of deposit and loan products that cater to our target market. Under the loans product line, BMI has Malalapitan Microfinance Loan, Power Negosyo Enterprise Loan, Expanded Motor Loan, Business Loans and other Consumer Loans that cater to the lower C, D and E income strata segments.

For deposit products, we have low-cost current, savings deposit and small-denominated time deposit.

To serve Filipino savers and entrepreneurs, we consciously adopt a customer care program and philosophy that provides our customers friendly, personalized service and makes them feel that that "BMI cares".

BANK OF MAKATI
since 1956 BMI
A Savings Bank

Deposit Products

- Regular Savings Account
- Power Cash ATM Account
- Power ATM Debit Card
- Maaasahan Savings Account (Basic Deposit)
- Power Build-up Savings Account
- Young Savers Account
- BMI Checking Account Plus
- Current Account Premium
- CTD Peso Time Deposit

Loan Products

Motorcycle Loan
KaSH Microfinance Loan
Consumer Loans

- Power Payday Loan
- Housing Loan
- Auto Loan
- Rx Loan
- Seafarer's Salary Loan
- Luxury Bike
- Personal Loan

Real Estate Loans

- Bridge Financing Line
- CTS Financing Facility
- Purchase of CTS
- Real Estate Term Loan

Business Loans

- Loan Line
- Term Loan
- Back-to-Back Loan (Term or Line)
- Power Insta - Credit
- Power Negosyo ™300 & 500

Cash Management Services

- ATM Payroll
- Bills Payment
- HMO Collection

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www.bankofmakati.com.ph

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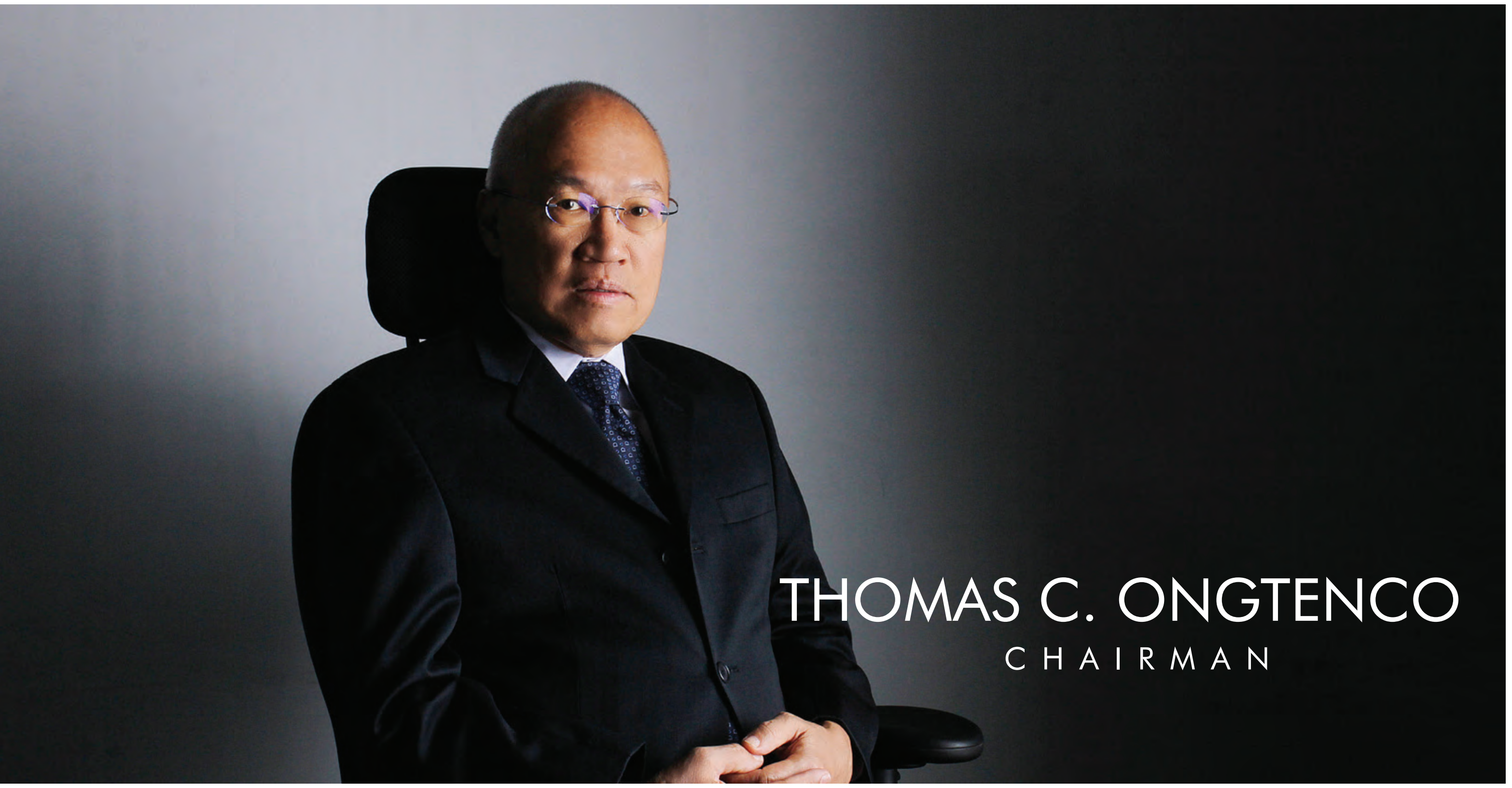
(02) 708.7087
consumeraffairs@bsp.gov.ph

CHAIRMAN AND PRESIDENT'S MESSAGE



More than ever, doing business is becoming increasingly challenging. With technology advancing at an exponential rate, the shift to a fully digital financial system is inevitable, with or without cryptocurrencies. This is further boosted by the community quarantines imposed by the government due to the pandemic. The changes in the environmental, political and economic landscapes have influenced the way we do things.

In 2019, the Bank, responding to the changes in our society and embracing the challenges as fuel for continuous improvement, was able to cap the year with net income exceeding our target and breaching the Php2.5 billion mark, a historical high. This was supported by the growth in our loan portfolio by 19% and deposit portfolio by 17%.

These achievements came amid the significant growth and development in the Philippine banking and financial industry; and despite the slower growth of the local economy. Philippine banks registered a 28.2 percent increase in earnings on the back of higher interest income and trading gains. Other significant developments in the industry include the expansion of banks and FinTech companies; the increased use of online banking; the promotion of financial inclusion; and the upgrade of the Philippines' credit rating from BBB to BBB+ by S&P Global. Economic growth, however, settled at 5.9%, lower than the Philippine government target of between 6% and 6.5%, the slowest growth in 8 years.

In addition to our net income growth, BMI expanded its services to its clients with the completion of 40 new branch-lite units across the country widening our reach from 62 branches to 102 branches nationwide. Moreover, our TD 6.3% Promo to celebrate the Bank's 63rd anniversary was successfully implemented and our Microfinance Loans was rolled out in all our branches.

Human resources learning and development has likewise been a critical factor to our achievements with focus on competence and our corporate values - teamwork, integrity, concern and excellence.

It has been said that gratitude is a currency that we can mint for ourselves and spend without fear of running out, for our triumphs in 2019, we wish to extend our deepest gratitude for the continuous support of our stakeholders, the strong patronage of our clients, the support of regulatory agencies, and the strong commitment and high level of professionalism exhibited by the officers and staff of Bank of Makati.

In the face of possible economic swings, we remain focused on our strategic objectives and steadfast on our commitment to serve our customers by providing for their financing needs and savings goals. We are resolute that we will surpass the unprecedented challenges of 2020. We are and remain, to always be your - "Malalapitan, Maaasahang Kaibigan."

the management

AUDIT AND COMPLIANCE COMMITTEE

ATTY. ALFREDO P. PINEDA
CHAIRPERSON

The Audit and Compliance Committee (ACC) is composed of three Board Members, at least two (2) of whom are independent directors including the Chairperson. The Committee is governed by a board-approved Charter, which defines its purpose, authority, responsibilities, and meeting requirements. In accordance with the Charter, the ACC assists the Board of Directors in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through (a) effective oversight of internal and external audit functions, (b) transparency and proper reporting, (c) compliance with laws, rules and regulations, and code of conduct, and (d) adequate and effective internal controls.

The ACC has explicit authority to investigate any matter within its terms of reference; has full access to and the cooperation by management, and full discretion to invite any director or executive officer to attend its meetings; and adequate resources to enable it to effectively discharge its functions.

The primary duties of the ACC are as follows:

1. Provide effective oversight of external and internal audit functions, including in sourcing and outsourcing of internal audit activities;

2. Ensure transparency and proper reporting with emphasis on the reports' integrity, timeliness, and compliance with standards;

3. Ensure compliance with Bank policies, and applicable laws, rules and regulations and code of conduct; and

4. Ensure adequate and effective internal controls.

The ACC supervises the Internal Audit Group (IAG) and the Compliance Group (CG). The Bank has an Internal Audit Group (IAG), which reports directly to the ACC and assists in the discharge of its oversight responsibilities. The IAG is governed by a Charter approved by the ACC. It is responsible for providing an independent, reasonable assurance on the Bank's system of risk management and internal controls, as well as the operating and business units' adherence to internal processes and procedures, and compliance with regulatory and legal requirements. The ACC, through the Internal Audit function, assesses compliance with the standards set forth by the Bank's internal policies, code of conduct and business ethics, and the applicable laws, rules and regulations including the effectiveness of the system of monitoring resolutions of outstanding issues.

The IAG is headed by the Chief Audit Executive (CAE), who reports functionally to the ACC and administratively to the President. The CAE is responsible for the following:

- Effective management of the Internal Audit function by providing direction and oversight in the development of the Audit Plan and the on-going conduct of internal audit services;

- Identification and prioritization of the audit universe

- Reporting the significant audit findings/ issues related to the processes for controlling the activities of the bank, including possible areas for improvements, and providing information on the status of resolution on issues raised/noted during examinations;

- Releasing audit reports with assessment on the adequacy and effectiveness of controls over processes of the Department/Unit audited for proper control of activities and managing of risks; and

- Reporting IAG's accomplishment, manpower complement and other significant activities to the ACC.

The CAE ensures that all tasks are included in the scope of work of the IAG and are carried out effectively. She is also responsible in improving IAG processes for a more efficient and effective audit through the implementation of a quality assurance and improvement program that covers all aspects of the internal audit activity. She coordinates and communicates with the Heads of the various Departments of the Bank to build relationships within and outside BMI for a better understanding on issues and to effectively identify areas for improvement for BMI as a whole. She also ensures that all IAG officers and staff possess the required skills, knowledge and experience to effectively fulfil their responsibilities

The IAG is guided by the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors and adheres to the internal audit standards as prescribed by the Bangko Sentral ng Pilipinas.

The ACC shall ensure that a compliance program is defined for the Bank and that compliance issues are resolved expeditiously. For this purpose, the ACC shall oversee the Compliance Program. The Compliance Program shall set out the planned activities of the compliance function, such as the review and implementation of specific policies and procedures, compliance risk assessment, compliance testing, educating staff on compliance matters, monitoring compliance risk exposures and reporting to the board of directors or board-level committee.

The Compliance Group (CG) is headed by the Chief Compliance Officer (CCO) who has 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. The CCO oversees the identification and management of the Bank's compliance risk and supervises the compliance function group. The CCO liaises with the Bangko Sentral on compliance-related issues and is responsible for ensuring the integrity and accuracy of all documentary submissions to the Bangko Sentral.

CG is responsible for overseeing the implementation of the risk-based Bank Compliance Program and is committed to assist the Management in ensuring reasonable basis that bank-wide activities of the Bank and its employees are in conformity with applicable laws and regulations, Code of Ethics, policies and procedures, and sound banking practices.

The CG also facilitates effective management of compliance risk by:

a. Providing advice on relevant laws, rules and standards, including keeping management informed of developments in the area.

b. Apprises Bank personnel on compliance issues and acting as contact point within the Bank for compliance queries from Bank personnel.

c. Establishes written guidance to staff on appropriate implementation of laws, rules and standards through policy and procedures and other documents such as the compliance program.

d. Identifies, documents, and assesses compliance risks associated with the Bank's business activities, including new products and business units.

e. Assesses appropriateness of Bank's compliance procedures and guidelines, promptly follows-up any identified deficiencies and where necessary, formulating proposals for amendments

f. Monitors and tests compliance by performing sufficient and representative compliance testing.

g. Maintains constructive relationship with BSP and other regulators.

ANTI-MONEY LAUNDERING COMPLIANCE

Within the Office of the Compliance Group, headed by the CCO, is the Anti-Money Laundering Department, which is created to establish and implement the Money Laundering and Terrorist Financing Prevention Program (MTPP) that reflects policies on major AML areas for compliance.

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.

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.

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

d. AML Training Program
In coordination with the Bank's Lending and Development Department (L&DD), CG holds modularized AML Training Program for the Board of Directors, Officers and Staff commensurate to their roles, duties and responsibilities.

SOUND RISK MANAGEMENT PRACTICES

The Bank provides and observes the four major Areas of Sound Risk Management Practices.

a) Board and SM Management Oversight

i. The members of the Board of Directors are composed of seven (7) active individuals who comprise the ultimate governing body of the Bank, three (3) of whom are Independent Directors. This is compliant with MORB Section 132. a and c, which provide that composition of board memberships shall be at least 5 and a maximum of 15, with 1/3 or at least two (2) are independent directors. All were confirmed by BSP to serve as directors of the Bank.

ii. Compliance is critical to the institution; toward this end, the Chief Compliance Officer is designated to oversee the implementation of the Compliance Program.

b) Bank Manuals

i. The Bank provides for written manuals such as MTPP and various operations manuals that are duly approved by the Board, as endorsed by the Management and Board-Level Committees.

ii. The Bank created the System and Development Department, which oversees facilitation and safekeeping of manuals. These manuals are accessible to all employees thru the Bank-provided portal.

c) Monitoring and Management System

i. The Bank sees to it that relevant information from top to bottom or vice versa is adequately and timely communicated.

ii. Monitoring of all aspects of operation requiring the attention of the management or the board is duly implemented.

iii. The Monitoring and Management System provides for various systems that process and maintain relevant data of Bank operation.

d) Internal Controls and Audit

i. The Bank provides various lines of defense to combat internal and external fraud/crime.

ii. Client-facing units are provided with adequate number of people to perform frontline functions.

iii. Risk-based transactions require approval prior to execution. The Bank observes processes that provide dual control and maker-checker rule, among others, to ensure that no transaction is created, processed and implemented by a single individual only.

iv. The Compliance Group is the Bank's second line of defense. Thru its Chief Compliance Officer, the CG sees to it that the Bank's Compliance Program is regularly updated and implemented

v. The Internal Audit Group is the Bank's third line of defense. Thru its Chief Audit Executive, the IAG ensures timely and adequate implementation of the Annual Audit Program.

Discussion on Self-Assessment Function

IAG has a Quality Assurance and Improvement Program which is designed to provide reasonable assurance to the various stakeholders of the internal audit activity that IAG performs its work in accordance with BMI's Internal Audit Charter, which is consistent with the International Standards for the Professional Practice of Internal Auditing (Standards), the Definition of Internal Auditing and the Code of Ethics; operates in an effective and efficient manner; and is perceived by stakeholders as adding value and improving BMI's operations. Included in the QAIP are internal assessments which consist of ongoing monitoring and periodic self-assessment. Ongoing monitoring is designed to assess whether engagements are properly supervised to ensure quality, achievement of objectives and development of staff. It is generally focused on reviews conducted at the engagement level.Periodic assessments are designed to assess conformance with Internal Audit Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of IAG in meeting the needs of its various stakeholders.

The Risk Oversight Committee (ROC) is composed of three Independent Directors, and reports to the Board. In 2019, the Bank continued to enhance its risk management systems in various areas particularly in information security, credit risks, operations and risk awareness. Improved risk management policies and procedures were adopted, and risk awareness levels were heightened through continuous monitoring and learning.

The Bank completed its Information Security Risk Assessment and engaged an independent third party to conduct information security risk assessment which included Vulnerability Assessment and Penetration Testing. In support of the BMI's business and IT strategic plans, the Bank also completed its 5 - year Information Security Strategic Plan.

The credit evaluation processes for the Bank's Enterprise and Microfinance Loans were strengthened, with RAAC of both loan products improved by new information gathered from the Bank's actual historical experiences of providing access to credit to micro finance, small and medium scale businesses. Across all loan products, strong regular paydowns and enhanced recovery efforts improved yields and margin contributions of loan assets to bank profitability.

The year 2019 also saw marked improvements in the Bank's operations risk management tools. Risk and Control Self Assessment (RCSA) was simplified , and it helped raise the Bank's risk awareness level and enabled more efficient monitoring. Key risks indicators and risk appetite thresholds were also reviewed and improved to reflect actual occurrences of risk events and incidents. As part of the Bank's efforts to raise risk awareness levels, a programmed and continuous process of learning among Bank employees continued to be conducted by the Learning and Development Department.

The Business Continuity Plan (BCP) of the Bank continued to be reviewed and updated. An enhanced testing was conducted in 2019 and the experiences gained from last year's exercise enabled the Bank to strengthen its business continuity measures . The Bank's Safety and Security Department had a significant participation in the testing exercise which enabled it to improve its capacity of readiness to support continuing bank operations at all times.

The ROC wishes to thank the Board and Management, and the BMI staff for their support.

Bank of Makati (A Savings Bank), Inc. (BMI) adopts best practices in Risk Management in all its businesses and processes consistent with the standards prescribed by the Bangko Sentral ng Pilipinas (BSP) in promoting effective risk management governance, internal capital adequacy assessment and other risk management processes. It has a robust established risk management policies and capital management framework that enables the Bank to identify, measure, control, and monitor its significant financial and non-financial risk exposures.

BMI risk management is an integral part of good corporate governance and is an active part of the Bank's culture integrated into the organization's philosophy, practices, strategies and business plans

GOVERNANCE STRUCTURE FOR MANAGING RISKS

THE BOARD
- Overall authority and responsibility for business strategies and risk policies
- Provides overall direction and oversight of risk management systems and internal controls
- Reviews key risks and mitigation plans
- Determines risk appetite and tolerance
- Monitors exposure

RISK OVERSIGHT COMMITTEE
- Reviews and recommends risk strategy and policies
- Oversees design and implementation of risk management program
- Reviews adequacy and effectiveness of the Bank's risk management framework
- Monitors the implementation of risk mitigation plans

AUDIT COMMITTEE
- Reviews adequacy and effectiveness of the Bank's internal control framework
- Oversees internal and external audit processes
- Monitors exposures

MANAGEMENT COMMITTEE
- Implements risk management practices within all business units and functions

OUR RISK PHILOSOPHY

Our risk philosophy and risk management approach are based on three key principles:

RISK CULTURE	STRONG CORPORATE GOVERNANCE STRUCTURE	PROACTIVE RISK MANAGEMENT PROCESS
• Set the appropriate tone at the top • Promote awareness, ownership and proactive management of key risks • Promote accountability	• Promote good corporate governance • Provide proper segregation of duties • Clearly define risk-taking responsibility and authority	• Robust processes and systems to identify, measure, report, monitor, and manage risks • Benchmark against best industry practice

RISK APPETITE

- Our risk appetite is the aggregate level and types of risk that the Bank is willing to assume, or to avoid, in pursuit of its goals, objectives, and business plan, consistent with applicable capital and other regulatory requirements and reinforces the risk culture of the Bank.

- The development of risk appetite is driven by top-down Board leadership approach. Successful implementation depends on effective interaction among the Board, ROC, Management Committee, Senior Management and frontline units.

- The Board's role is to review the Bank's risk appetite and approve top-down risk allocation of limits. The risk appetite is communicated throughout the Bank. The Board evaluates the risk appetite.

- The ROC, ins consultations with the Board and Senior Management develop the risk appetite.

RISK MANAGEMENT

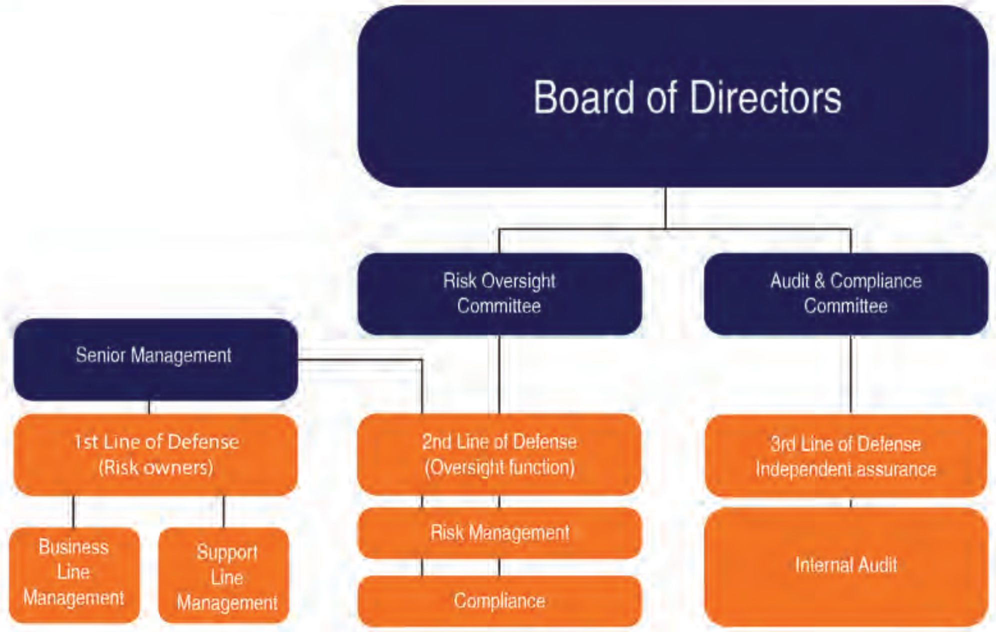
BMI risk management is an integral part of good corporate governance and is an active part of the Bank's culture integrated into the organization's philosophy, practices, strategies and business plans.

We have established a rigorous and systematic risk review process to identify, monitor, manage and report risks throughout the organization based on our risk philosophy. Management is also responsible for ensuring that the risk management framework is effectively implemented within the business units.

Our key risk management activities also include business continuity/disaster recovery management. Close monitoring and control processes, including the use of appropriate key risk and key performance indicators, are implemented to ensure the risk profiles are managed within policy limits.

In addition, we have in place a formal program of risk and control self-assessment where line personnel are involved in the ongoing assessment and improvement of risk management and controls. The effectiveness of our risk management policies and processes is reviewed on a regular basis and improved. Regulatory examination reviews ensure appropriateness of the risk management framework. Overall the risk management processes facilitate alignment of our strategy and annual business plan with the management of key risks.

The Internal Audit provides independent assurance on the adequacy and effectiveness of our risk management.



The three line of defense model delineates management accountabilities and responsibilities for risk management and control environment. By adopting the model, it underpins our approach to risk management by clarifying responsibilities and encouraging collaboration, as well as enabling constant communication of risks and control activities in the workplace. The first line of defense owns the risks, the business and support lines that perform, among others, credit origination and provide support in the overall credit administration, respectively and also responsible for risk identification, reporting, managing and monitoring of risks; the second line of defense performs risk management and oversight function that are independent from the credit origination and administrative functions; the third line of defense is our Internal Audit function, which provides independent assurance that our risk management approach and processes are designed and operating effectively.

The following principles summarized the Bank's overall approach to risk management.

a. The Board through the ROC, provides the overall direction and oversight of the Bank's risk management; approves risk management policies and procedures for the systematic management of risk exposures within the Bank
b. The key risks faced by the Bank (both financial and non-financial) are managed by appropriate functional levels within the organization;
c. The Risk Management Process begins with the identification of business opportunities and normally these opportunities involve risk. The first line of defense are the risk owners (business and support lines);
b. Once opportunities are identified, the risk owner, in consultation with RMG, identifies, quantifies, and analyzes risk in light of its potential effect on his portfolio/daily activities or transactions.
c. Senior Management evaluates the Bank's performance from a risk-adjusted perspective, taking into account the overall and unit specific business plans; and
d. RMG monitors and quantifies the inherent and probable risks in every activity/transaction of the Bank through risk measurement tools. Benchmarks and limits are set to serve as red flags in the event of breaches.

RISK MANAGEMENT GROUP

Oversight of the ROC is through the Risk Management Group (RMG). It is tasked to spearhead and oversee the implementation of the risk management framework within the Bank. It serves as the implementing arm of the ROC in all its risk management responsibilities. It is an independent business function within the organization and reports directly to the ROC its risk monitoring and assessment. It is composed of:

- Credit Risk Management Department (which includes Credit Review, Credit Risk Analytics)
- Market and Liquidity Risk Management Department (MLRMD)
- Operations Risk Management Department (ORMD)

The general role of RMG is to develop risk management policies and procedures and ensures that the risk policies and directives of the Board are duly implemented and monitored. Together with the various business units and groups, it is tasked to ensure that the implementation process is complete and comprehensive according to the Board's directives.

Each department is tasked to monitor the systematic implementation of processes and procedures of the Bank's risk management policies. These policies established the types of risks to be managed and risk organizational structure in the Bank.

Risk Management Structure

BMI identifies risks according to three major classifications:

Risk Type	Risk Monitoring Tools
Credit Risk	Regulatory limits, SBL, DOSRI Large Exposure Monitoring Loan Portfolio Quality Past Due and NPL Loan Profile Credit Risk Rating Classification and Profiling Ratings Migration Loan Provisioning Credit Risk Stress Testing Loan Deviations and Exceptions Key Risk Indicators (KRIs) Trending and Scoring Credit Risk Policies Credit risk trainings for continuing education
Market (including interest rate) and Liquidity Risks	Mark to Market Valuations Market Risk Limits Market Risk Stress Testing Value at Risk Exposure limits Repricing Gap Interest Rate Gap Maximum Cumulative Outflow Liquidity Ratios KRI Trending Analysis Market and Liquidity Risks Policies Market risk trainings for continuing education
Operational and Information and Technology (IT) Risks	Risk and Control Self-Assessment (RCSA) Loss/ Incident Event Reporting Risk Mapping Business Continuity Planning and Testing KRI Trending and Scoring Monitoring Information Technology (IT) Risk Management Framework Financial Consumer Protection Framework Outsourcing and Vendor Risk Management Framework Operational risk trainings for continuing education

Credit risk arises from its core lending activities, market risk due to price movements in trading, liquidity risk from the management of the Bank's balance sheet; and operational and IT risks from inadequate or failed internal processes, people, information technology systems, and external events.

The Bank has established risk management processes and controls and applies various methodologies, metrics, tools and system to identify, measure, control, and monitor its risks exposures. It continuously improves its reporting system to ensure completeness and accuracy of data and timely reporting. The implementation of Qliksense reporting and the ongoing automation of loss event reporting, are initiatives to render accurate, reliable and timely information and reports.

Independent reviews are regularly conducted by the Bank's Internal Audit, external auditors, and regulatory examiners to ensure that controls and risk mitigation are in place and functioning as intended.

CORPORATE GOVERNANCE COMMITTEE

CORAZON S. DELOS SANTOS
CHAIRPERSON

Corporate Governance is extremely important for the sustainable growth of Bank of Makati (A Savings Bank), Inc., and it needs to continually evolve with the changes and demands of the times.

The Board of Directors has appointed the Corporate Governance Committee to assist the Board in fulfilling its corporate governance responsibilities for ensuring that BMI always adheres to the Principles of Good Corporate Governance. The Committee plays a larger role in setting the rules, controls, policies and resolutions that dictate the Bank's corporate behavior. The Committee is composed of three Independent Directors, who help in governance as they moderate the concentration of powers and help align shareholder interest.

We believe that the real measure of success of corporate governance is through strengthening the Bank's earning capacity, and achieving greater enterprise value, and ultimately contributing to the development of the country.

For this reason, the Board of Directors and Management mandated that Corporate Governance undertake the effort necessary to create awareness within the organization to ensure that the principles of fairness, accountability and transparency are upheld in conducting the Bank's day-to-day business. Also, the Board of Directors has long been proactive in exercising independent judgment in supervising management and safeguarding the interest of shareholders.

As we continue to promote Bank of Makati (A Savings Bank), Inc. as our customers' "Malalapitan, Maaasahang Kaibigan", we will also work to achieve good Corporate Governance built on integrity, and provide management with guidance in pursuit of the shared goal of long-term shareholder value.

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 also plays an important role in maintaining corporate integrity and managing the risk of corporate fraud, combating against management misconduct.

Good corporate governance is pursued based on the following framework: 1) The Board of Directors is responsible for the implementation of strategies to achieve corporate objectives, risk governance framework, checks and balances, sound corporate governance, the selection of key officers of senior management and control functions, and overseeing their performance; 2) Board-level Committees delegated by the Board of Directors with the responsibility of fully understanding and objectively evaluating relevant issues; 3) Senior Management, which oversees the implementation of the strategies and initiatives approved by the Board; 3) Internal Control Groups, which handle the implementation of key control functions such as Risk Management, Compliance and Internal Audit.

The Board-approved Manual of Corporate Governance encompasses the Corporate Governance rules and regulations of the Bangko Sentral ng Pilipinas (BSP), the Securities & Exchange Commission (SEC), and local and global best practices. The Manual shall serve as the guide to the Directors, Officers and employees in maintaining corporate integrity, managing the risk of corporate fraud, preventing management misconduct and corruption. It shall also embody the guidelines for transparency to uphold the rights of the stockholders and stakeholders of the Bank.

SELECTION PROCESS FOR THE BOARD AND SENIOR MANAGEMENT

The Corporate Governance Committee oversees the selection process for members of the Board of Directors and Senior Management. The Committee reviews and evaluates the qualifications of the persons nominated by applying fit and proper standards, integrity/probity, physical/mental fitness, relevant education/financial literacy/training, possession of competencies relevant to the job such as knowledge and experience, skills, and diligence. The Committee shall also apply independence of mind, and sufficiency of time to carry out responsibilities as added qualifications for the Board of Directors.

The Committee ensures that all persons nominated for the Board of Directors and Senior Management are qualified for their positions, have a clear understanding of the role in corporate governance and are not subject to undue influence to effectively perform the tasks assigned to them.

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

The Board of Directors is duly elected during the Annual Stockholders Meeting and is named as such in the Articles of Incorporation and By-Laws and other rules and regulations mandated by the Republic of the Philippines and regulatory bodies.

The Board of Directors is pivotal in the conduct of corporate governance of the Bank and has the fiduciary responsibility to the Bank and all its shareholders including minority shareholders. The Board of Directors is comprised of three (3) Independent Directors, two (2) Non-executive Directors and two (2) Executive Directors:

- Independent Directors (ID) with diverse backgrounds and whose responsibility is to exercise independent judgment on corporate affairs requiring the decision or approval of the Board;
- Non-executive Directors (NED) familiar with the business and who are not part of the day-to-day business of the Bank's management; and
- Executive Directors (ED) who are directly responsible for the management and implementation of policies and procedures, strategies and initiatives approved by the Board.

BOARD COMPOSITION

	Board of Directors	Type of Directorship	Principal Stockholder represented if nominee	No. of Years served as Director	No. of Direct & Inderect shares Held	% of shares Held to Total Outstanding Shares of Bank
1	Thomas C. Ongtengco	NED (Chairman)	N/A	14	49,969,958	9.9939916
2	Luis M. Chua	ED (President)	N/A	2	10	0.0000020
3	Ramon B. Manzana	ED (Managing Director)	N/A	18	25,124,252	5.0248504
4	Corazon S. Delos Santos	ID	N/A	4	32	0.0000064
5	Alfredo P. Pineda	ID	N/A	12	474	0.0000948
6	Ma. Rodora E. Bañares	NED	N/A	9	42	0.0000084
7	Imelda S. Singzon	ID	N/A	2	10	0.0000020

DESCRIPTION OF THE MAJOR ROLE AND CONTRIBUTION OF THE CHAIRMAN OF THE BOARD

The Board of Directors elects the Chairman of the Board to promote checks and balances and to serve in a leadership capacity. The Chairman shall ensure the effective functioning of the Board of Directors, including maintaining a relationship of trust among its members. The Chairman will: 1) Ensure that the meeting agenda focuses on strategic matters, including discussion of risk appetites, and key governance concerns; 2) Ensure sound decision making process; 3) Encourage and promote critical discussion; 4) Ensure that dissenting views can be expressed and discussed within the decision-making process; 5) Ensure that members of the Board of Directors receive accurate, timely, and relevant information; 6) Ensure the conduct of proper orientation for first-time directors and provide training opportunities for all directors; and 7) Ensure the conduct of performance evaluation of the Board of Directors at least once a year.

DIRECTORS ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

JANUARY – DECEMBER 2019	BOARD COMMITTEE No. of meetings: 12		CORPORATE GOVERNANCE COMMITTEE No. of meetings: 12		EXECUTIVE COMMITTEE No. of meetings: 12		AUDIT AND COMPLIANCE COMMITTEE No. of meetings: 22		RISK OVERSIGHT COMMITTEE No. of meetings: 31		RELATED PARTY TRANSACTION COMMITTEE No. of meetings:14	
Composition	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage	Attendance	Percentage
Thomas C. Ongtenco	11	92%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ramon B. Manzana	11	92%	N/A	N/A	12	100%	N/A	N/A	N/A	N/A	N/A	N/A
Luis M. Chua	12	100%	N/A	N/A	9	75%	N/A	N/A	N/A	N/A	N/A	N/A
Ma. Rodora E. Banares	11	92%	N/A	N/A	11	92%	N/A	N/A	N/A	N/A	N/A	N/A
Corazon De Los Santos	12	100%	12	100%	N/A	N/A	20	91%	28	90%	14	100%
Imelda S. Singzon	12	100%	12	100%	N/A	N/A	22	100%	31	100%	14	100%
Alfredo P. Pineda	12	100%	12	100%	N/A	N/A	22	100%	31	100%	14	100%

Note: No changes in the composition of the board of directors for the year 2019

CHANGES IN THE BOARD OF DIRECTORS

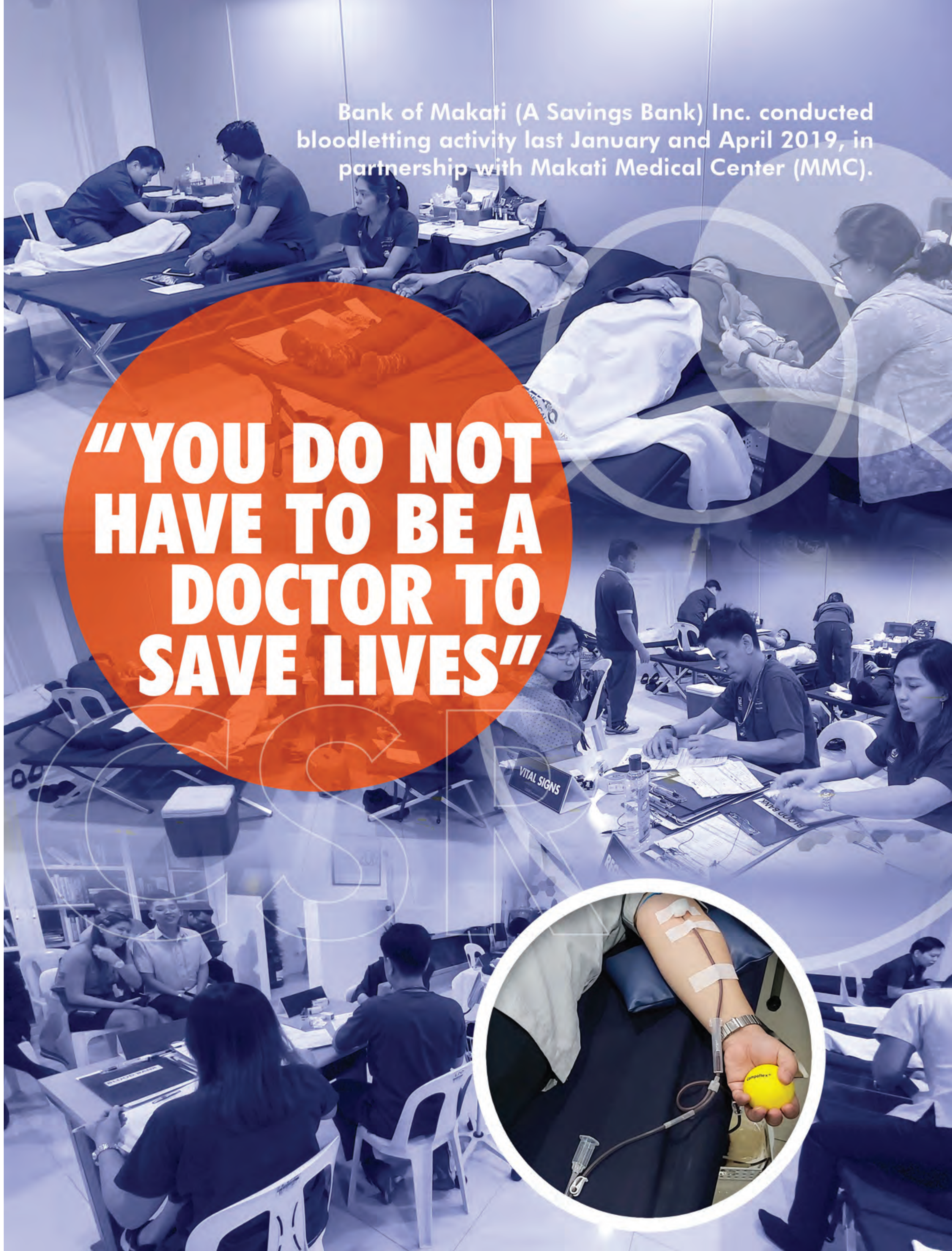
In June 2018, the Stockholders approved the re-election of all Board Members except for Ms. Christine C. Ongtenco as she decided to personally focus on other business of the family. Ms. Ongtenco served as Director of Bank of Makati from 2001 2004 and was re elected on 2012 2017.

The Bank welcomed Mr. Alfredo P. Pineda as a replacement of Ms. Ongtenco and to act as new Ind ependent Director on June 22, 2018. Mr. Pineda is not relatively new to the Bank as he already served the Bank as a Regular Director from 2007 until 2017.

LIST OF MAJOR STOCKHOLDERS

as of December 31, 2019 the Bank has a total of 59 shareholders. The following are the Bank's top 20 holders of common shares:

	Name of Stockholder	Nationality	Common Share	Percentage of stockholdings
1	Sio Yok C. Ongtenco	Filipino	49,979,379	9.9958758%
2	Alex C. Ongtenco	Filipino	49,976,580	9.9953160%
3	Thomas C. Ongtenco	Filipino	49,969,958	9.9939916%
4	Paulino C. Ongtenco	Filipino	49,967,463	9.9934926%
5	Vicente N. Ongtenco	Filipino	49,967,284	9.9934568%
6	Helen C. Ongtenco	Filipino	49,962,053	9.9924106%
7	Victor C. Ongtenco	Filipino	49,962,052	9.9924104%
8	Christine C. Ongtenco	Filipino	49,962,042	9.9924084%
9	Teresita O. Sy	Filipino	49,962,042	9.9924084%
10	Ramon B. Manzana	Filipino	25,124,252	5.0248504%
11	Lucilla O. Manzana	Filipino	24,847,073	4.9694146%
12	Amor Fe Lee	Filipino	134,810	0.0269620
13	Desmond Chan	Filipino	134,800	0.0269600
14	Olga Retulin	Filipino	12,894	0.0025788
15	Belen Coronado	Filipino	10,379	0.0020758
16	Esteban Silva	Filipino	5,094	0.0010188
17	Audrea Cabalquinto	Filipino	2,610	0.0005220
18	Carl Anthony Mariano	Filipino	2,273	0.0004546
19	Elizabeth Berber	Filipino	1,294	0.0002588
20	Nenita Campo	Filipino	1,294	0.0002588



Board of Directors

Thomas C. Ongtenco

Age	• 63
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.

Luis M. Chua

Age	• 49
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 and CEO
Date of First Appointment	• June 23, 2017
Directorship in other Companies	• None
Other Current Position	• Faculty Member, UST Alfredo M. Velayo – College of Accountancy, Faculty of Arts and Letters
Previous Companies/ Position	• Faculty Member, St. Paul College of Manila • Audit In Charge, SGV & CO., CPAs • Manager, Diners Card Corporation • Manager, Security Bank Corporation • Reviewer, Center for Training and Development, Inc. • Manager II, United Coconut Planters Bank • Assistant Vice President, Citibank, N.A. • Bank Officer I, Bangko Sentral ng Pilipinas

Ramon B. Manzana

Age	• 63
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

BANK OF MAKATI
BMI A Savings Bank

Corazon S. Delos Santos

Age	• 75
Nationality	• Filipino
Education	• Bachelor of Science in Business Administration, University of the East
Current Position in the Bank	• Independent Director
Date of First Appointment	• April 17, 2015
Directorship in other Companies	• None
Other Current Position	• Chief Operating Officer, Sanvil Inc. • Consultant, Pampanga Development Bank
Previous Companies/ Position	• Comptroller/ Director, Eppie's Garments • Director, Money Market Association of the Philippines • Director, Second Bulacan Development Bank • Director/President, Land Bank Insurance Brokerage Ind., • Director, Millennium Bank • Director, First Provincial Bank • Senior Vice President, Land Bank of the Philippines • Undersecretary, Department of Finance

Atty. Alfredo P. Pineda

Age	• 66
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

Ma. Rodora E. Bañares

Age	• 57
Nationality	• Filipino
Education	• Bachelor of Science in Business Administration, University of the Philippines – Diliman • Master in Business Administration, De La Salle University • Master of Arts in Early Education (units), De La Salle University
Current Position in the Bank	• Director
Date of First Appointment	• June 19, 2010
Directorship in other Companies	• Director, I0T Valley, Inc. • Director, I0T ACH Services Inc.
Other Current Position	• None
Previous Companies/ Position	• President/ Director- Bank of Makati (A Savings Bank) Inc. (BMI) • Executive Vice President (BMI) • Senior Vice President – Retail Banking Sector, Asiatrust Development Bank • Senior Vice President, Retail Banking Sector, Security Bank • Executive Vice President/ Chief Operating Officer, Federal Savings Bank • Senior Vice President, Asiatrust Development Bank

Imelda S. Singzon

Age	• 69
Nationality	• Filipino
Education	• Bachelor of Science in Statistics, University of the Philippines – Diliman • Master of Arts in Demography (Candidate), University of the Philippines – Diliman • Masteral Certificate in Developmental Economics, University of the Philippines – Diliman jointly with University of Wisconsin
Current Position in the Bank	• Independent Director
Date of First Appointment	• June 23, 2017
Directorship in other Companies	• None
Other Current Position	• None
Previous Companies/ Position	• Independent Director, United Coconut Planters Bank (UCPB) • Chairman, Board Audit Committee and Treasury Oversight Committee, UCPB • Member, Risk Oversight Committee and AMLOC,UCPB • Independent Director, UCPB Savings Bank • Chairman, Board Audit Committee, UCPB Savings Bank • Member, Corporate Governance Committee and Risk Oversight Committee, UCPB Savings Bank • Independent Director, UCPB Leasing and Finance Corporation • Member, Board Audit Committee, UCPB Leasing and Finance Corporation • Independent Director, Philippine Bank of Communication • Member, EXCOM, Board Audit Committee and Risk Oversight Committee, Philippine Bank of Communication • Independent Director, Export Industry Bank • Member, Executive Council, Research and Guidance , Finance and Planning and Asia Pacific Regional Committee of International Association of Deposit Insurers (IADI) • Vice President, First Philippine Fund New York, New York, USA • Director, Provident Fund Insurance Brokerage Co., Inc., • Director, PNB Insurance Brokerage • Executive Vice President, Philippine Deposit Insurance Corporation • First Senior Vice President, Philippine National Bank (PNB) • President, PNB – Retirement Fund, Inc. • Deputy Managing Director, PNB Investment Limited • Director and Treasurer, PNB Republic Bank Ventures Capital Corporation • Senior Vice President, PNB Republic Bank Ventures Capital Corporation • Chief Economic Development Specialist, National Economic & Development Authority

Atty. Generosa R. Jacinto
Corporate Secretary

Florido P. Casuela
Senior Adviser

Executive Officers & Senior Management

Shirley O. Tan

- Age: •56
- 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
- Relevant Experiences:
  - Treasury Group Head, Bank of Makati (A Savings Bank), Inc. (2003–2014)
  - Officer, Technoclan Management Corp. (Aug-Dec 2002)
  - Manager, UOB Philippines (1999-2002)
  - Accountant, Wesmont/UOB Philippines (1997-1999)
  - Trainee, JOTP, Westmont Bank (Mar-Dec 1997)
  - Accountant, Pacific Mills Inc. (1995-1997)
  - A/P Payroll, Standard Electric MFG (1991-1992)
  - A/R Inventory Advtsg, Standard Appliances Corporation (1988-1990)
  - S/A Bookkeeper, PHILTRUST Bank (1985-1988)

Gina L. Salud

- Age: •63
- Nationality: •Filipino
- Education: •Bachelor of Science in Business Administration, University of the Philippines – Diliman
- Current Position in the Bank: •Senior Vice President, Head – Business Sector
- Relevant Experiences:
  - Acting Business Sector Head, Bank of Makati (A Savings Bank), Inc. (BMI) (2013-2014)
  - Head – Branch Banking Group, BMI (2010-2014)
  - North Region Head, BMI (2006-2010)
  - Manager, BDO Universal Bank (2006)
  - Branch Manager, United Overseas Bank Phil. (1999-2006)
  - Branch Manager, Westmont Bank (1997-1999)
  - Operations Officer, Phil. Trust Company (1979-1996)
  - New Accounts Clerk, China Banking Corporation (1977-1979)
  - Assistant Treasurer, La Suerte Gold Mining Corporation (1976-1977)

Rowell A. Umali

- Age: •35
- 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, Bank of Makati (A Savings Bank), Inc. (BMI) (2012-2014)
  - Head – Financial and Management Accounting Division, BMI (2012)
  - Audit Manager in UBIX Corporation (2010-2012)
  - Audit Senior, Punongbayan and Araullo (2005-2010)

Rosa Maria G. Tumangday

- Age: •56
- 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:
  - Head-Audit Group, Bank of Makati (A Savings Bank), Inc. (2016-2019)
  - Asset Management Group Operations Head, BDO Unibank Inc. (2014)
  - Branch Audit Department Head, Security Bank Corporation (SBC) (2004-2013)
  - Branch Audit Team Leader, SBC (2001-2004)
  - Branch Audit Examiner, SBC (1990-2001)
  - Accountant, VM Management Group of Companies (1987-1990)
  - Cascade Commercial Corporation (1985-1987)

Irish Janne B. Escio

- Age: •37
- 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) (2018)
  - Regulatory Department Head, BMI (2018)
  - Chief Compliance Officer, Citystate Savings Bank, Inc. (2013-2018)
  - Compliance, MIS and Budget Analyst, BDO Leasing and Finance Corporation (2006- 2011)

Arlene O. Lazarte

- Age: •54
- Nationality: •Filipino
- Education: •Bachelor of Science in Commerce Major in Accounting
- Current Position in the Bank: •Vice President, Chief Risk Officer
- Relevant Experiences:
  - Independent Credit Review Officer, Rizal Commercial Banking Corp. (RCBC) (2018-2019)
  - Head Operational Risk Management, RCBC (2011-2017)
  - Head Market Risk Management, United Coconut Planters Bank (UCPB) (2008-2011)
  - Head Operational Risk Management, UCPB (2007-2008)
  - Operational Risk Management Officer, Philippine National Bank (PNB) (2003-2007)
  - Treasurer & Compliance Officer, PNB General Insurers Co., Inc. (2000-2003)
  - Division Chief, PNB (1994-2000)
  - Sr. Planning Analyst, PNB (1990-1994)
  - Planning Analyst, PNB (1988-1990)
  - EDP FX Teller, PNB (1987-1988)

Carlo Calixto D. Dugayo

- Age: •38
- 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 (2013)
  - Philippine Deposit Insurance Corporation (2012-2013)
  - Associate Lawyer, De Guzman Dionido Caga Jucaban & Associates Law Office (2007-2012)
  - Associate Lawyer, Lazaro Law Firm (2006-2007)
  - Legal Researcher/Legal Intern, Caraan & Associates Law Office (2006)

Angel G. Muyot Jr.

- Age: •60
- 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) (2003-2016)
  - Salesforce Head, SBC (2000-2003)
  - Branch Manager, Philippine Commercial International Bank (PCIB) (1993-2000)
  - Project Streamline/ Branch Support, PCIB (1990-1993)
  - Sales Head, PCIB (1986-1988)
  - Branch Operation Head, PCIB (1985-1986 & 1988-1990)
  - LND Foreign Bookkeeper/Branch Accountant, PCIB (1984-1985)
  - Import Export Processor, PCIB (1983-1984)
  - General Accounting Clerk, PCIB (1982-1983)
  - Settling Clerk/ Distributing Clerk, PCIB (1981-1982)

Age	•59
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
Relevant Experiences	•Director and stockholder of Dela Torre and Co. Inc. (2010-Present) •Vice President, Head-Treasury Group, Bank of Makati (A Savings Bank), Inc. (2014-2015) •Vice President, Philippine Postal Savings Bank (2006-2012) •Assistant Vice President, Land Bank of the Philippines (LBP) (1999-2003) •Account Manager, LBP (1994-1999) •Bank Executive Officer, LBP (1992-1994) •Chief of Division III, LBP (1990-1992) •Officer Manager, Laguna Rubber Co. Inc (1987-1990) •Senior Staff – Visitation and Control Group, Asian Bank(1983-1987)

Age	•54
Nationality	•Filipino
Education	•Bachelor of Science in Civil Engineering
Current Position in the Bank	•Vice President, Head- ROPA Management and Disposal Group
Relevant Experiences	• Head - Credit Investigation and Collection Group, Bank of Makati (A Savings Bank), Inc. (BMI) (2014-2016) • Head – Credit Collection and Remedial Group (CCRG), BMI (2010-2014) • National Collection Manager, Motortrade Nationwide Corporation (MNC) (2008-2009) • Regional Manager, MNC (2004-2007) • Area Manager, MNC (1995-2004)

Age	•45
Nationality	•Filipino
Education	•Clinical Psychology, Polytechnic University of the Philippines
Current Position in the Bank	•Vice President, Head – Corporate Services Group
Relevant Experiences	•Concurrent Head – Human Resource Department, Bank of Makati (A Savings Bank), Inc. (since 2010) •Acting Head- Corporate Services Group (2013) •HR Specialist – Compensation and Benefits, Zamil Industrial Investment Co. (2008-2010) •HR and Admin. Manager, Hytech Integrated Prod. (2005-2008) •Human Resource Department Head, Furnimaxx Int'l Co. Ltd. (2003-2005) •Career Management Associate, Philippine Savings Bank (1996-2002)

Age	•53
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) (2015-2018) • Head – Credit Support Group CrSG, BMI (2013-2015) •Acting Head – CSRG, BMI (2012-2013) •Head – Loans Operations Department II, BMI (2010-2012) •Head – Loans Operation Department III, BMI (2010) •Head – Branch Lending Group, BMI (2007-2010) •Head – Business Development Department, BMI (2005-2007) •Consultant, Mayon System Philippines (2002-2005) •Manager, Metropolitan Bank and Trust Company (1988-2002)

Age	•44
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	•Head-Lending Center Department, Bank of Makati (A Savings Bank), Inc. (BMI) (2011-2015) •Systems Officer, BMI (2008-2011); •Operations Analyst Rizal Commercial Banking Corporation (RCBC) (2000-2008) •Remittance Processor, RCBC (1999-2000) •New Accounts Processor, RCBC (1996-1999)

Age	•37
Nationality	•Filipino
Education	•Bachelor of Science in Computer Science, San Sebastian College – Recoletos Manila
Current Position in the Bank	•Assistant Vice President, Head – Information Technology Group
Relevant Experiences	•Acting Head – Information Technology Group, Bank of Makati (A Savings Bank), Inc. (BMI) (2018) •Head - Business Application System Support Department, BMI (2012-2013) •Application Systems Engineer, Business Application System Support Department (BASSD), BMI (2006-2012) •Production Support Engineer BASSD, BMI (2005-2006) •Programmer, BASSD, BMI (2005) •Junior Programmer, Virjen Shipping Corporation (2003-2005) •MIS Assistant, Ever Gotesco and Holdings Inc. (2002-2003) •Technical Support Assistant, Ever Group Stores (2002)

LIST OF BOARD-LEVEL COMMITTEES INCLUDING MEMBERSHIP AND FUNCTIONS

Board-Level Committees	Members	Functions
1.) Executive Committee (EXCOM)	Chairperson: Mr. Ramon B. Manzana Members : 1. Ms. Ma. Rodora E. Banares 2. Mr. Luis M. Chua	The Executive Committee is the highest credit decision-making body, below the Board of Directors. The Committee is responsible for the review and approval of the credit proposal and transactions, and works directly with Risk Management Group to ensure the overall credit risk of the Bank are properly managed.
2. Corporate Governance Committee (CGC	Chairperson: Ms. Corazon S. De los Santos* Members: 1. Atty. Alfredo P. Pineda* 2. Ms. Imelda S. Singzon*	The Corporate Governance Committee is responsible for the development, implementation and review of the Bank's Corporate Governance program and ensuring effectiveness of its due observance on corporate governance policies and procedures applicable to business. The Committee also assists the Board in the review and evaluation of the qualifications nominated to the Board and appointment of the key officers of the Bank. They also perform annual self-performance evaluation to assess the effectiveness of the Board and Board Level Committees processes and procedures if it's in accordance to the Committee Charters.
3. Risk Oversight Committee (ROC)	Chairperson: Ms. Imelda S. Singzon* Members: 1. Atty. Alfredo P. Pineda* 2. Ms. Corazon S. Delos Santos*	The Risk Oversight Committee is responsible for the development and oversight of the Bank's exposure to financial and nonfinancial risks to prevent losses and minimizing the impact of losses when they occur.
4. Audit and Compliance Committee (ACC)	Chairperson: Atty. Alfredo P. Pineda* Member: 1. Ms. Imelda S. Singzon* 2. Ms. Corazon S. De los Santos*	The Audit & Compliance Committee (The "AuditCom") is a sub-committee of The Board that reviews internal control and risk management systems, internal and external audits, financial controls and reporting, integrity and compliance with laws and regulations.
5. Related Party transaction Committee (RPTC)	Chairperson: Ms. Corazon S. De los Santos* Members: 1. Atty. Alfredo P. Pineda* 2. Ms. Imelda S. Singzon*	The Related Party Transactions Committee is responsible in ensuring that related parties are handled in a sound and prudent manner with integrity and in compliance with applicable laws and regulations to ensure that transactions are conducted at arm's-length terms to protect the interest of the depositor and stakeholders.

* Independent Director

PERFORMANCE ASSESSMENT PROGRAM

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: (i) Each Director self –rates and collectively rates the Board, the President and the Chairman, (ii) Corporate Governance, Audit and Compliance, Risk Oversight, Related Party Transactions and other Board-level Committees respectively rate themselves to gauge the performance of the members of the Board of Directors. The assessment covers if compliance with the provisions and requirements of the Bank's Manual of Corporate Governance. The summary of the results of the performance evaluation will be reported to the Board to recognize the strength of the Board and to address the weaknesses of the Board, identifying the individual and collective development needs of the Board.

For Senior Management, Officers and Staff, the Bank utilizes and implements a Performance Management and Development System containing a) Key Results Area (KRAs) or output requirements of major responsibilities or function; b) Behavioral norms or ways to institutionalize the practice of culture and values set by the Bank.

Performance assessment guidelines are continuously enhanced to strengthen the review mechanism and ensure accuracy of performance evaluation

ORIENTATION AND EDUCATION PROGRAM

Newly appointed Directors, upon on boarding are given Orientation Program to be conducted by a duly recognized private or government institution duly accredited by the Bangko Sentral ng Pilipinas within six (6) months after appointment, subject to exceptions. The Bank shall provide all 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.

Continuing education is provided through trainings by the Bank and by outside service providers accredited by the BSP and the SEC. The Board members together with Senior Officers attended a continuing Corporate Governance training covering the areas of Corporate Governance Overview, Key Developments in the Code of Corporate Governance.

RETIREMENT AND SUCCESSION POLICY

The Bank provides retirement benefits to eligible employees who have reached their retirement age as provided in the Bank's policy, in recognition of their contribution, service and loyalty to the Bank.
(i.) Normal retirement age- 55 years*
(ii.) Early retirement age - 50 years*
(iii.) Compulsory retirement age – 65 years

*This shall apply to employees hired before January 14, 2011.

The Bank adopts the BSP regulations on the retirement of our directors. Independent Directors may only serve the Bank for a maximum cumulative term of nine (9) years but may continue to serve as regular director. The nine (9) cumulative term for independent directors shall be reckoned from 2012.

REMUNERATION POLICY

Remuneration and other incentives policy is aligned with the operating and risk culture as well as the strategic and financial interest of the Bank, promotes good performance and conveys acceptable risk-taking behavior defined under the code of ethics and complies with legal and regulatory requirements.

The Banks aimed to provide the Board and Management a reasonably or competitive with those paid by other companies, taking into account the Bank's position against industry and other market considerations to be able to attract and retain the services of qualified and competent directors and officers. A portion of the remuneration of executive directors may be structured or be based on corporate and individual performance. No Director should participate in deciding on his remuneration.

The compensation package for senior management and bank officers are determined with reference to the salary scale corresponding to the position and rank. The Bank grants monetary and non-monetary benefits and fringe benefits which include among others; monthly compensation, guaranteed bonuses based on Bank's policy, allowance for business related expenses or official travel, loyalty rewards, retirement plan, health care plan, life insurance, leave privileges and loan facilities.

The Bank grants fixed and guaranteed bonuses inclusive of 13th month pay in compliance with the law. The Bank also grants a performance bonus (non-guaranteed) based on the Bank's performance, overall market conditions and individual performance.

The Board sees to it that the remuneration policy is regularly reviewed to ensure that it is commensurate with corporate and individual performance and that the remuneration is consistent with industry practices.

POLICIES AND PROCEDURES ON RELATED PARTY TRANSACTIONS

The Bank's transaction with related parties should be made in the ordinary course of business and not undertaken on more favorable economic terms taking into consideration at minimum the charge price/interest, commission to be earned, fees, tenor and collateral as those of the non-related parties. The Bank acknowledges that related party transactions (RPT) may result to a conflict of interest. Thus, the Board has appointed and authorized the Related Party Transaction Committee (RPTC) composed of independent Directors in-charge in reviewing all related party transactions of the Bank. The Committee has adopted the policy on related party transactions to ensure that the transactions with related parties and DOSRI are handled in a sound and prudent manner, with integrity and in compliance with applicable laws and regulations to protect the interest of depositors, creditors and other stakeholders.

In carrying out its function, the Committee ensures that transactions with related parties, DOSRI and subsidiaries and affiliates shall be disclosed and approved in accordance with the Bank's policy consistent with the principles of transparency and fairness. The RPT policy requires that all material transactions with related parties are reviewed and evaluated on an arms-length basis. After thorough evaluation, the transactions will be endorsed to the Board for final approval.

On an ongoing basis, the Committee evaluates the existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPs are monitored, and subsequent changes in relationship are captured.

SELF-ASSESSMENT FUNCTION

The Bank's internal controls and transparency are conducted by Independent Group composed of Internal Audit Group (IAG) and Compliance Group (CG), who directly report to the Audit and Compliance Committee (ACC), Risk Management Group, who directly report to Risk Oversight Committee (ROC) and Concerned Business Units:

- The Internal Audit Group shall conduct a periodic formal review of the effectiveness of the Bank's system and internal controls to assess consistency with the board-approved policies and procedures. The result of the Audit shall be directly reported to the Audit and Compliance Committee (ACC).

- The Compliance Group shall conduct compliance testing and ensure that the Bank complies with relevant rules and regulations and is informed of regulatory development in areas affecting related parties. It shall also ensure that RPT policy is kept updated and implemented throughout the Bank.

- The Risk Management Group (RMG) shall conduct a periodic review on the effectiveness of the Bank's risk management program, whether decisions are consistent with the board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measure. The results of assessment and monitoring shall be reported to the ROC Committee.

- The concerned Business/Support Unit or Project Team shall be accountable and responsible to monitor and managed on a continuing basis the Third Party Service Provider performance review to determine the appropriate Key Performance Indicators (KPI) that shall define the minimum service level requirements and financial condition evaluation. The result of the performance and financial evaluation shall be directly reported to ROC Committee

- All material Related Party Transactions are being reported to Related Party Transaction Committee to ensure transactions are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interest of the depositors and stakeholders.

- The ACC and ROC conduct a periodic meeting to ensure that the directions are consistent with the strategic objectives of the Bank and in compliance with BSP and other Government agencies

COMPLIANCE FUNCTION

The Compliance Charter aims to describe the basic principles of promoting sound compliance practices in the Bank. It also establishes the compliance function's standing within the organization, responsibility, authority and independence. The adoption of the charter demonstrates the Bank's adherence to the highest ethical standards, as well as to applicable legal and regulatory requirements and professional standards.

The role of the Compliance Group is to assist Management in ensuring reasonable basis that bank-wide activities of the Bank and its employees are in conformity with applicable laws and regulations, Code of Ethics, policies and procedures, and generally with sound banking practices.

The Compliance Group is independent from the business activities of the bank and is managed by the Chief Compliance Officer. It should carry out its responsibility on its own initiative in all units or departments where compliance risk exists and must be provided with sufficient resources to carry out its responsibilities effectively.

It must be free to report to Senior Management, the Audit and Compliance Committee and the Board of Directors on any irregularities or breaches of laws, rules and standards discovered without fear of retaliation or disfavor from the management or other affected parties.

DIVIDEND POLICY

The declaration and pay out of dividends from the net profits of the Bank shall be declared and determined by the Board of Directors as often and as such times. The dividends are paid out of unrestricted retained earnings subject to prior approval of BSP. Dividends shall be declared or paid in accordance with the law, regulations of the BSP, SEC, PSE and the pertinent policies of the Bank

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

It is the Corporate Social Responsibility (CSR) of the Bank to contribute to the economic development and to uplift and improve the people's quality of life in communities with deem are in need of support in the areas of education, health, family life, child care, livelihood, sports development and environmental protection.

The Bank shall undertake its CSR activities which it shall organize on its own or/and in partnership with a foundation or a non-governmental organization. The Bank will also consider undertaking activities and various projects as long as they are related to the Bank's Corporate Social Responsibility objective.

The Bank seeks to make a meaningful presence in the various communities it supports through its Corporate Social Responsibility Program.

CONSUMER PROTECTION PRACTICES

Role and Responsibility of the Board and Senior Management for the development of consumer protection strategy and establishment of an effective oversight over the Bank's consumer protection programs.

The Board of Directors is responsible for developing the Bank's consumer protection strategy and establishing an effective oversight over the Bank's consumer protection programs. They are primarily responsible for:

1. Approving and overseeing theimplementation of the Bank's consumer protection policies, as well as the mechanism to ensure compliancewith said policies;

2. Monitoring and overseeing the performance of Senior Management in the day-to-day consumer protection activities of the Bank;

3. Delegating other duties and responsibilities

Capital Structure and Adequacy

December 31 (in Thousands Php)

	2019	2018
Tier 1 Capital	10,865,629	9,077,112
Tier 2 Capital	96	420
Gross Qualifying Capital	**10,865,725**	**9,077,532**
Less: Regulatory Deductions		
Significant minority investment in other financial allied undertakings	1,095,619	1,217,421
TOTAL QUALIFYING CAPITAL	**9,770,106**	**7,860,111**
Credit Risk Weighted Assets	32,297,687	28,464,225
Market Risk Weighted Assets	-	-
Operational Risk Weighted Assets	8,423,518	7,103,262
TOTAL RISK WEIGHTED ASSETS	**40,721,205**	**35,567,487**
TIER 1 CAPITAL RATIO - NET	**23.99%**	**22.10%**
TOTAL CAPITAL ADEQUACY RATIO	**23.99%**	**22.10%**

Total Tier 1 Capital

	2019	2018
Paid-up Common Stock	5,000,000	5,000,000
Retained Earnings	3,977,916	2,444,234
Undivided Profits	2,530,881	2,147,062
GROSS AMOUNT	**11,508,797**	**9,591,296**
Deductions:		
Deferred Tax Asset	643,168	518,184
Net unrealized losses on FVOCI	-	(4,000)
TOTAL DEDUCTIONS	**643,168**	**514,184**
TOTAL TIER 1 CAPITAL	**10,865,629**	**9,077,112**

Total Tier 2 Capital

	2019	2018
Net Unrealized Gains on FVOCI	96	-
General Loan Loss Provision	-	420
GROSS AMOUNT	**96**	**420**
Deductions:		
TOTAL DEDUCTIONS	**-**	**-**
TOTAL TIER 2 CAPITAL	**96**	**420**

Knowledge Skills & Attitude

A MILESTONE YEAR

The Learning & Development Department (L&DD) hit the ground running at the start of 2019 with two (2) provincial trips just after the start of the new year's festivities. Three (3) of its Training Officers went to Davao and then to Tagaytay. Their seven (7) day mission: to boost the competency and drive of the sales force of both the Enterprise and the Microfinance Departments which together form the Micro and Small Lending Division of the Bank.

Fast forwarding a few months, two (2) major developmental programs were launched in order to prepare the skill set of certain selected employees into becoming sales driven Account Associates of the Microfinance Department with the intention of getting them to further develop into Account Officers soon.

Meanwhile, the Department levelled up its own capacity of effectiveness by going through several modules focused on "sharpening its saw". Any visionary would need some "me-time" to look into themselves occasionally for self-improvement and in 2019, L&DD sent its Officers to various training-the-trainers type of external seminars in order to echo these learnings to the rest of the Team—from re-defining the training role to planning, delivering and then on to evaluating.

On evaluating, the team took the time that year, to develop a Training Evaluation Plan that involved four (4) levels focusing on how the learner's experience would be in terms of (1.) his immediate reaction, (2.) amount of knowledge absorbed, (3.) application that resulted into behavioral change and (4.) impact to the bottom line. The Team had intended to effect this major addition in the coming year but even as early as 2019, plans on how to implement this and more were already being set up.

Culture Building would be another big program that needed an equally big preparation and so even as the Program was intended to go full blast in the following year, L&DD already previewed one project in support of the plans of the Department to build-up the culture of the Bank. This project was called "On-Time Challenge" wherein several pilot Departments participated. As the name implies, the project aimed at campaigning for its employees to influence one another to be conscious of time and not be tardy either in coming to work or when going into a meeting.

Finally, in order to complete the wholistic development of every person in the Bank, L&DD started a Memory Verse Challenge. This regular dose of something spiritual was sent through the Bank's internal e-mail system while L&DD encouraged everyone to read, recall, and retain by memory, the Bible verses that the Department sends out every start of the week.

This was but a glimpse of L&DD's strategies in order to achieve its purpose—its reason for existence, and that is to make everyone in Bank of Makati consider learning and development, a lifestyle.

14
NEW COURSES

76
COURSES OFFERED

1,392
EMPLOYEES REACHED

TREASURY

ALDA R. BANEZ
Treasury Group

DIANA C. NG
Fund Management Department

SUSAN U. TAN
Treasury Marketing Department

SHIRLEY O. TAN
Corporate Treasurer

CORPORATE AND RETAIL LENDING

EDWIN I. MAGHIRANG
Micro and Small Lending Division

GINA L. SALUD
Business Sector Head /
Corporate and Retail Lending Group-Head

JOHN MARTIN T. VILLANUEVA
Real Estate and Consumer Lending Division

JESSICA ANGELA A. NAQUIMEN
Area 2 - NCR Department

ANA MARIA L. PARAS
Commercial Lending Division

RANDY B. CARTABIO
Enterprise Department

DARYL E. SANDOVAL
Microfinance Department

CARLOS LUMBO
Commercial Lending Department

EILLEN G. BARANDA
Area 1 North Luzon Department

BRANCH BANKING

SOCORRO R. YABUT
South Luzon Branches

ANGELO MICHAEL C. PLATA
North Luzon Branches

ANGEL G. MUYOT JR.
Branch Banking Group

ALVIN P. DEL PONSO
Metro Manila Branches

CHARLIE V. MENDOZA
Microfinance Branches

CONTROLLERSHIP

RODOLFO B. MATI III
Loans and Treasury Accounting Department

ROSEMARIE O. DARBIN
Financial Accounting Department

ROWELL A. UMALI
Controllership Group

RAMON CARLO T. QUINTERO
Accounting Division

REYNALD E. TOMAS
Corporate Planning and Regulatory Compliance Division

OLIVER B. GUINTO
Branch Accounting and Reconcilation Department

LOANS OPERATION

ROSALIE L. SANDOVAL
Loans Operation Department 1

ELEANOR P. JAVIER
Loans Operations Group - Consumer

MARISA A. YAP
Reconcillation and Quality Assurance Department

MARIA DOLOR D. REMOLACIO
Lending Center Department

JOMILYN D. OBILLO
Credit Authorization Department

LOANS AND TREASURY OPERATIONS

KATHRYN JOY G. BAUTISTA
Institutional Borrowing Department

SEAN IVAN VERNIER W. VALENTIN
Head Office Support Group

FERDINAND MARK F. CERDEÑA
Loans Operation Department 2

LUZ G. VALLEJERA
CRLG Remedial and Disposal Department

CREDIT

MARY POPS A. NUESTRO
Credit Investigation Department

REINA FILIPINA V. DEACOSTA
Consumer Credit Department

RHODERICK N. DELMORO
Credit Appraisal Department

BRANCH AND CENTRAL OPERATIONS

ARSENIO V. PIAMONTE
Branch Operations Department

MARIA RAMONA C. FAJARDO
Central Operations Department

INFORMATION TECHNOLOGY

ALEX S. OPIDA
Desktop, Network and Access Department

ALEN ROIE T. TATCO
Information Technology Group

ARTEMIO B. CALDERON
System Administration Department

SARAH M. CAYABYAB
Business Application System Support Department

EMMANUEL A. NAVARRO
Data Center Operations Department

REPO MANAGEMENT AND DISPOSAL

MA. JHOAN G. CRAME
Customer Center Management Department

JO D. BORROMEO
Repo Management and Disposal Group

DARIUS V. ALBARINA
Repo Management and Disposal Department

REMEDIAL COLLECTION

ABNER Y. FERRER
Legal and External Agency Department

RENE A. CENTENO
Remedial Collection Division

SHERWIN L. OPERIO
Remedial Collection Department

CORPORATE AFFAIRS

JOSE ENRICO T. SANDOVAL
Business Development and Marketing Services Department

HELEN S. PASCUA
Corporate Affairs Division

DIOSDADO M. SUBA
Corporate Affairs Department

JENNIFER L. SUICO
Systems Development Department

CORPORATE SERVICES

MICHAEL L. ADAN
Facilities and Property Management Department

MYLA S. DELA PAZ
General Services Admin Depertment

ANGELITO C. CHUA
Corporate Services Group and Human Resources Department

EXXON B. SALAS
Safety and Security Department

DENNIS ACHILLES D.G. AREÑO
Learning and Development Department

INFORMATION SECURITY

MA. MELYN B. RAMOS
Information Security Department

RISK MANAGEMENT

ARLENE O. LAZARTE
Risk Management Group

LEGAL

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

ATTY. CARLO CALIXTO D. DUGAYO
Legal Group

COMPLIANCE

ALMA D. PACULANAN
AML Department

IRISH JANNE B. ESCIO
Compliance Group / Compliance Department

DATA GOVERNANCE AND ANALYTIC

RAMSE C. OSANO JR.
Data Governance and Analytics Department

A U D I T

HECTOR E. VILLA JR.
Head Office Audit Department

JAMES KENNETH V. LLAUNDERES
Field Audit Department

ROSA MARIA G. TUMANGDAY
Internal Audit Group

GABRIEL Z. PUNSALAN
IT Audit Department

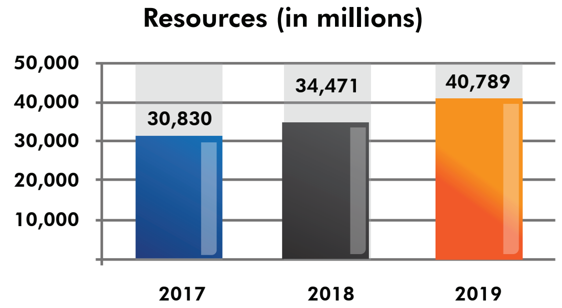
branch managers

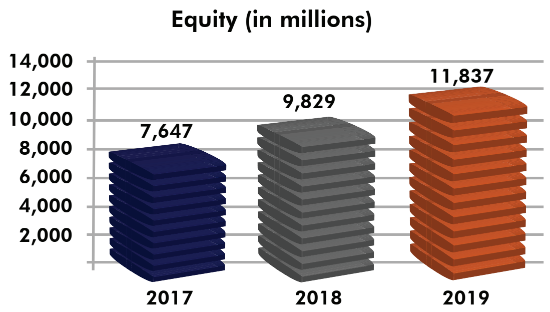
BATANGAS	DANILO O. GAYETA, JR.
BIÑAN	MARIA LANLET C. ARZOLA
CALAPAN	DARWIN C. ZAMORA
DAET	MARIBEL S. LESABA
DASMARIÑAS	EMILY M. CRUZ
LAS PIÑAS	JHIE G. FABELLANO
LEGAZPI	JERALDIN D. CARLOS
LIPA	CELESTE B. CARIG
LUCENA	SHERRY LYN B. MARANAN
MUNTINLUPA	DOMINADOR JAMES A. CALUEN, V
NAGA	LANE SEAN M. BALLESTEROS
PALAWAN	GIL BRYAN M. CHIANG
SAN PABLO	ALOHA A. MANGUNAY
ZAPOTE	JEDDAH CINDY A. JASMIN
BATAAN	CELESTE L. DEL ROSARIO
CABANATUAN	MICHAEL D. SERAFICA
DAGUPAN	GINA C. ZARENO
LA UNION	ALFRED MOISES M. SANTOS
LAOAG	ROLETTI R. LUCAS
PAMPANGA	ROBIN M. DUNGO
SANTIAGO	RANDY U. VALIENTE
TARLAC	VACANT
TUGUEGARAO	MARIA VICTORIA L. ESPAÑOL
URDANETA	SHERYL M. VERDEFLOR
VIGAN	GIL MARIANO P. LAZO
BACOLOD	NORBERTO R. VALERIO
BUTUAN	JOEL C. CABUSAO
CAGAYAN DE ORO	ELMER B. ANG
CEBU	MARIE RONAJEL F. CORRIDOR
DAVAO	AZINETH C. PANGA
GENERAL SANTOS	VACANT
ILOILO	VACANT
PAGADIAN	REYNALDO A. DEHUNLAY
TACLOBAN	VACANT
TAGUM	VACANT
VALENCIA	VACANT
ZAMBOANGA	LUIS M. NAVARRO
ANTIPOLO	MARCELINA S. BAUTISTA
BALIUAG	LUISITO F. SANTIAGO
CALOOCAN	ROSAL G. JURADO
GRACE PARK	CHRISTIAN O. SEVILLA
MAIN BRANCH	GIOVANNI ROEL . TROCIO
MALOLOS	MONICA BIANCA A. CASTRO
MARCOS HIGH-WAY	BABY BOY O. PRESADO
MARIKINA	JEFFERSON P. DUMANDAN II
MEYCAUAYAN	HAZELL P. SANTIAGO
RODRIGUEZ	MA. CELESTE L. BETONIO
VALENZUELA	DIANNE LOUIE F. MADAMBA
MEYCAUAYAN	HAZELL P. SANTIAGO
RODRIGUEZ	MA. CELESTE L. BETONIO
VALENZUELA	DIANNE LOUIE F. MADAMBA

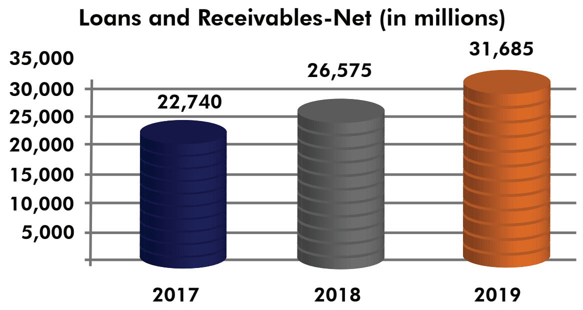
microfinance branch

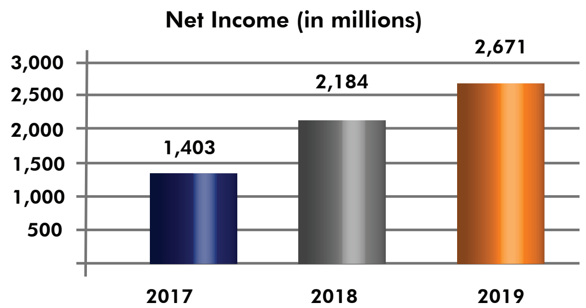
BACLARAN	KATRINA M. LACABA
BLUMENTRITT	VACANT
BUENDIA	VACANT
CAMARIN	HENERY ANN I. ESTORNINOS
COMMONWEALTH	MARY ANN H. DIMAAPI
CUBAO	JOSE AGUSTIN I. HERNANDEZ
EVANGELISTA	ROBERTO C. SANTOS JR.
GREENHILLS	KIRBY V. CANULLAS
GUADALUPE	ETHEL MARIE D. IMPELIDO
KALENTONG	AJERICO A. LACSAMANA
PASAY	REINEIR A. MORA
PASIG	JONATHAN U. MANGLALLAN
RETIRO	CORAZON E. PINERO
ROOSEVELT	BRYAN V. DELA CRUZ

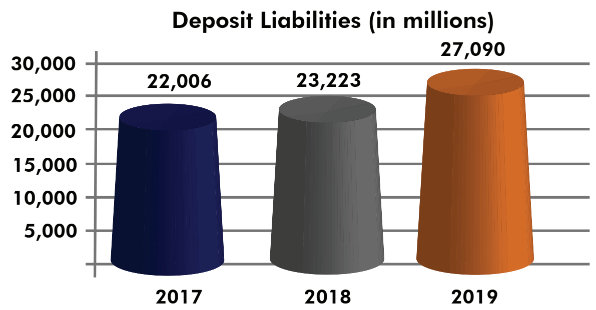
financial highlights











In thousand	2017	2018	2019
Total Resources	30,829,885	34,471,311	40,788,887
Total Loans and Receivables-Net	22,739,854	26,574,949	31,685,242
Total Deposit Liabilities	22,005,929	23,223,231	27,090,104
Total Equity	7,647,425	9,829,247	11,837,108
Total Net Income	1,403,099	2,184,114	2,670,641
Total Revenues	6,417,996	8,002,114	9,368,613
Total Expenses	5,014,897	5,818,000	6,697,971
Return on Resources	4.80%	6.64%	6.80%
Return on Equity	20.79%	25.51%	23.95%
Regular Branches	48	48	48
Microfinance Branches	14	14	14
Branch Lite Units	-	-	40

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Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Makati (A Savings Bank), Inc. (the Bank), which comprise the statements of financial position as at December 31, 2019 and 2018, 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, 2019 and 2018, 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.

Certified Public Accountants
Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd (GTIL).

Offices in Cavite, Cebu, Davao
BOA/PRC Cert. of Reg. No. 0002
SEC Accreditation No. 0002-FR-5

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Emphasis of a Matter

We draw attention to Note 24 to the financial statements, which describes management's assessment of the impact on the Bank's financial statements of the business disruption brought about by the coronavirus outbreak and consequent events after the reporting period. Management has determined that these are non-adjusting events and as such, had no impact on the Bank's financial statements as of and for the year ended December 31, 2019. Our opinion is not modified in respect to 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 year ended December 31, 2019 required by the Bangko Sentral ng Pilipinas and the Bureau of Internal Revenue as disclosed in Notes 26 and 28 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. 8116541, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-4 (until Oct. 7, 2022)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-021-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 13, 2020

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Report of Independent Certified Public Accountants to Accompany Income Tax Return

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

We have audited the financial statements of Bank of Makati (A Savings Bank), Inc. (the Bank), for the year ended December 31, 2019, on which we have rendered the attached report dated May 13, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Bank.

PUNONGBAYAN & ARAULLO

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

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 8116541, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-4 (until Oct. 7, 2022)
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May 13, 2020

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6766 Ayala Avenue
1200 Makati City
Philippines

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Supplemental Statement of Independent Auditors

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

We have audited the financial statements of Bank of Makati (A Savings Bank), Inc. (the Bank), for the year ended December 31, 2019, on which we have rendered the attached report dated May 13, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Bank has 55 stockholders owning 100 or more shares each of the Bank's common stock as of December 31, 2019, as disclosed in Note 18 to the financial statements.

PUNONGBAYAN & ARAULLO

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

CPA Reg. No. 0092966
TIN 189-477-563
PTR No. 8116541, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-4 (until Oct. 7, 2022)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-021-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 13, 2020

Certified Public Accountants
Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd (GTIL).

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BOA/PRC Cert. of Reg. No. 0002
SEC Accreditation No. 0002-FR-5

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BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(With Corresponding Figures as of January 1, 2018)
(Amounts in Philippine Pesos)

	Notes	December 31, 2019	December 31, 2018 (As Restated – see Note 2)	January 1, 2018 (As Restated – see Note 2)
RESOURCES				
CASH	7	P 71,176,434	P 79,075,209	P 59,212,747
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	2,971,517,467	1,757,148,127	2,116,067,079
DUE FROM OTHER BANKS	7	341,976,552	356,261,356	319,936,628
INVESTMENT SECURITIES - Net	8	2,582,183,171	3,014,215,064	3,150,349,220
LOANS AND RECEIVABLES - Net	9	31,685,242,001	26,574,949,378	22,739,853,745
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	10	251,845,585	292,524,534	267,882,431
ASSETS HELD FOR SALE - Net	12	518,839,911	409,314,033	313,187,687
RIGHT-OF-USE ASSETS - Net	11	238,104,594	-	-
INVESTMENT PROPERTIES - Net	13	216,739,156	231,825,798	179,916,074
INVESTMENT IN AN ASSOCIATE	14	1,115,009,092	1,218,414,112	1,132,475,940
DEFERRED TAX ASSETS - Net	22	573,321,153	427,984,722	440,354,162
OTHER RESOURCES - Net	15	222,931,851	109,598,565	110,649,290
TOTAL RESOURCES		P 40,788,886,967	P 34,471,310,898	P 30,829,885,003
LIABILITIES AND EQUITY				
DEPOSIT LIABILITIES	16	P 27,090,103,851	P 23,223,231,218	P 22,005,928,874
ACCOUNTS PAYABLE AND OTHER LIABILITIES	17	1,861,675,238	1,013,355,701	1,176,531,322
BILLS PAYABLE	17	-	405,476,499	-
Total Liabilities		28,951,779,089	24,642,063,418	23,182,460,196
EQUITY	18			
Capital stock		5,000,000,000	5,000,000,000	4,750,000,000
Retained earnings		6,884,350,117	4,813,708,793	2,629,594,826
Stock dividends distributable		-	-	250,000,000
Revaluation reserves		(47,242,239)	15,538,687	17,829,981
Total Equity		11,837,107,878	9,829,247,480	7,647,424,807
TOTAL LIABILITIES AND EQUITY		P 40,788,886,967	P 34,471,310,898	P 30,829,885,003

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018 (As Restated – see Note 2)
INTEREST INCOME			
Loans and receivables	9	P 8,224,633,077	P 6,954,726,501
Investment securities	8	156,378,209	151,874,835
Due from Bangko Sentral ng Pilipinas and other banks	7	69,848,750	35,841,486
		8,450,860,036	7,142,442,822
INTEREST EXPENSE			
Deposit liabilities	16	(1,146,015,861)	(958,128,034)
Bills payable	17	(20,137,639)	(23,569,964)
Lease liabilities	11	(14,855,912)	-
Others	20	-	(1,055,700)
		(1,181,009,412)	(982,753,698)
NET INTEREST INCOME		7,269,850,624	6,159,689,124
IMPAIRMENT LOSSES			
Financial assets	8, 9	(1,230,459,451)	(1,191,515,854)
Non-financial assets	12, 13	(427,638,811)	(322,758,031)
		(1,658,098,262)	(1,514,273,885)
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		5,611,752,362	4,645,415,239
OTHER OPERATING EXPENSES	19	(2,878,164,442)	(2,488,103,249)
OTHER OPERATING INCOME	19	701,157,683	613,733,302
SHARE IN PROFIT OF ASSOCIATE	14	216,594,980	245,938,172
PROFIT BEFORE TAX		3,651,340,583	3,016,983,464
TAX EXPENSE	22	(980,699,259)	(832,869,497)
NET PROFIT		P 2,670,641,324	P 2,184,113,967

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018 (As Restated – see Note 2)
NET PROFIT		P 2,670,641,324	P 2,184,113,967
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified subsequently to profit or loss			
Gain (loss) on remeasurements of defined benefit plan	20	(99,474,300)	6,209,300
Fair value gain (loss) on equity securities classified at fair value through other comprehensive income (FVOCI)	8	3,882,816	(4,000,000)
Tax income (expense)	22	29,842,290	(1,862,790)
		(65,749,194)	346,510
Item that will be reclassified subsequently to profit or loss			
Fair value gain (loss) on debt securities classified at FVOCI	8	2,968,268	(2,637,804)
Other Comprehensive Loss		(62,780,926)	(2,291,294)
TOTAL COMPREHENSIVE INCOME		P 2,607,860,398	P 2,181,822,673

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

					Revaluation Reserves			
	Notes	Capital Stock	Stock Dividends Distributable	Retained Earnings	Unrealized Fair Value Gains (Losses) on Financial Assets	Remeasurements of Defined Benefit Plan	Total	Total Equity
Balance at January 1, 2019								
As previously reported		P 5,000,000,000	P -	P 4,577,916,083	(P 6,637,804)	P 22,176,491	P 15,538,687	P 9,593,454,770
Prior period adjustment	2	-	-	235,792,710	-	-	-	235,792,710
As restated		5,000,000,000	-	4,813,708,793	(6,637,804)	22,176,491	15,538,687	9,829,247,480
Cash dividend paid during the year	18	-	-	(600,000,000)	-	-	-	(600,000,000)
Total comprehensive income (loss) for the year								
Net profit during the year		-	-	2,670,641,324	-	-	-	2,670,641,324
Other comprehensive gain (loss)		-	-	-	6,851,084	(69,632,010)	(62,780,926)	(62,780,926)
Balance at December 31, 2019	18	P 5,000,000,000	P -	P 6,884,350,117	P 213,280	(P 47,455,519)	(P 47,242,239)	P 11,837,107,878
Balance at January 1, 2018								
As previously reported		P 4,750,000,000	P 250,000,000	P 2,444,234,096	P -	P 17,829,981	P 17,829,981	P 7,462,064,077
Prior period adjustment	2	-	-	185,360,730	-	-	-	185,360,730
As restated		4,750,000,000	250,000,000	2,629,594,826	-	17,829,981	17,829,981	7,647,424,807
Stock dividend distributed during the year	18	250,000,000	(250,000,000)	-	-	-	-	-
Total comprehensive income (loss) for the year								
Net profit during the year		-	-	2,184,113,967	-	-	-	2,184,113,967
Other comprehensive gain (loss)		-	-	-	(6,637,804)	4,346,510	(2,291,294)	(2,291,294)
Balance at December 31, 2018	18	P 5,000,000,000	P -	P 4,813,708,793	(P 6,637,804)	P 22,176,491	P 15,538,687	P 9,829,247,480

See Notes to Financial Statements.

BANK OF MAKATI (A SAVINGS BANK), INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(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 2019, the Bank's total equity reached P11.8 billion and has 62 branches (which includes 48 regular branches and 14 microfinance-oriented branches) and 40 branch-lite units.

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

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

1.2 Approval of Financial Statements

The financial statements of the Bank as at and for the year ended December 31, 2019 (including the comparative financial statements as at and for the year ended December 31, 2018 and the corresponding figures as of January 1, 2018) were authorized for issue by the Bank's Board of Directors (BOD) on May 13, 2020.

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.

BANK OF MAKATI (A SAVINGS BANK), INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in Philippine Pesos)

	Notes	2019	2018 (As Restated – see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 3,651,340,583	P 3,016,983,464
Adjustments for:			
Interest income	7, 8, 9	(8,450,860,036)	(7,142,442,822)
Interest received		8,207,176,433	7,185,640,491
Impairment losses	8, 9, 12, 13	1,658,098,262	1,514,273,885
Interest expense	11, 16, 17, 20	1,181,009,412	982,753,698
Interest paid		(1,703,362,131)	(884,176,907)
Share in profit of associate	14, 19	(216,594,980)	(245,938,172)
Depreciation and amortization	10, 11, 13, 15	197,355,600	103,988,646
Gain on sale of properties - net	12, 13	(5,326,881)	(24,057,513)
Realized gain on investment securities	8, 19	(5,673,245)	(2,615,358)
Operating profit before changes in resources and liabilities		4,513,163,017	4,504,409,412
Increase in loans and receivables		(4,423,627,832)	(4,641,504,389)
Increase in assets held for sale		(549,135,507)	(222,966,258)
Decrease (increase) in investment properties		13,252,111	(47,423,742)
Increase (decrease) in other resources		(113,815,269)	568,743
Increase in deposit liabilities		3,866,872,633	1,148,827,716
Increase (decrease) in accounts payable and other liabilities		115,008,824	(240,094,435)
Cash from operations		3,421,717,977	501,817,047
Cash paid for income taxes		(695,772,470)	(749,290,087)
Net Cash From (Used) In Operating Activities		2,725,945,507	(247,473,040)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investment securities	8	848,918,245	329,227,483
Acquisition of financial assets at FVOCI	8	(463,000,000)	(60,500,000)
Dividends received	14	320,000,000	160,000,000
Interest received on investment securities	8	156,378,209	151,874,835
Proceeds from maturities of investment securities at amortized cost	8	61,705,050	79,060,921
Acquisitions of bank premises, furniture, fixtures and equipment	10	(40,381,698)	(114,032,509)
Acquisitions of investment securities at amortized cost	8	(2,289,671)	(376,958,592)
Net Cash From Investing Activities		881,330,135	168,672,138
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends	18	(600,000,000)	-
Repayment of bills payable	17	(405,476,499)	(600,000,000)
Repayments of lease liabilities	11	(83,864,851)	-
Availments of bills payable	17	-	1,000,000,000
Net Cash From (Used in) Financing Activities		(1,089,341,350)	400,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,517,934,292	321,199,098
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7		
Cash		79,075,209	59,212,747
Due from Bangko Sentral ng Pilipinas		1,757,148,127	2,116,067,079
Due from other banks		356,261,356	319,936,628
Receivables arising from reverse repurchase agreement	9	1,640,000,000	1,016,069,140
		3,832,484,692	3,511,285,594
CASH AND CASH EQUIVALENTS AT END OF YEAR	7		
Cash		71,176,434	79,075,209
Due from Bangko Sentral ng Pilipinas		2,971,517,467	1,757,148,127
Due from other banks		341,976,552	356,261,356
Receivables arising from reverse repurchase agreement		2,965,748,531	1,640,000,000
		P 6,350,418,984	P 3,832,484,692

Supplementary Information on Non-Cash Operating and Financing Activities:

1) The Bank recognized right-of-use assets and lease liabilities amounting to both P214.5 million as at January 1, 2019 in relation to the adoption of PFRS 16, *Leases* (see Note 2). In 2019, the Bank recognized additional right-of-use asssets and lease liabilities amounting to P118.0 million (see Note 11).

2) Transfers from Loans and Receivables to Assets Held for Sale in 2019 and 2018 amounted to P2.4 billion and P1.6 billion, respectively, as a result of foreclosures (see Notes 9 and 12). On the other hand, transfers from Loans and Receivables to Investment Properties as a result of forecloures amounted to P21.9 million and P74.1 million in 2019 and 2018, respectively (see Notes 9 and 13).

See Notes to Financial Statements.

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.

The Bank restated its financial statements as of and for the year ended December 31, 2018 and the corresponding figures as of January 1, 2018 in order to capitalize loan origination fees and costs to loans and receivables, and amortize the same using effective interest method in accordance with the requirements of PFRS 9, *Financial Instruments*. Accordingly, the Bank presents a third statement of financial position as at January 1, 2018, without the related notes, except for the disclosure required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

In addition, the Bank reclassified dividend income amounting to P6.6 million in 2018 from Interest Income on Investment Securities to Other Operating Income in the 2018 statement of profit or loss. This reclassification has no material impact on the financial statements.

The effect of these restatements in the comparative financial statements as of December 31, 2018 and the corresponding figures as at January 1, 2018 on the affected resources and equity components are shown below.

	December 31, 2018		
	As Previously Reported	Effects of Restatements	As Restated
Changes in resources:			
Loans and receivables - net	P26,238,102,650	P 336,846,728	P26,574,949,378
Deferred tax asset - net	529,038,740	(101,054,018)	427,984,722
Impact on net resources		P 235,792,710	
Changes in component of equity:			
Retained earnings	P 4,577,916,083	P 235,792,710	P 4,813,708,793

	January 1, 2018		
	As Previously Reported	Effects of Restatements	As Restated
Changes in resources:			
Loans and receivables - net	P22,475,052,702	P 264,801,043	P22,739,853,745
Deferred tax asset - net	519,794,475	(79,440,313)	440,354,162
Impact on net resources		P 185,360,730	
Changes in component of equity:			
Retained earnings	P 2,444,234,096	P 185,360,730	P 2,629,594,826

The restatements also affected the reported amounts of certain accounts in the statement of profit or loss for the year ended December 31, 2018 as shown below.

	As Previously Reported	Effects of Restatements	As Restated
Changes in statement of profit or loss:			
Interest income – loans and receivables	P 7,157,945,380	(P 203,218,879)	P 6,954,726,501
Interest income – investment securities	158,440,315	(6,565,480)	151,874,835
Other operating income	700,745,306	(87,012,004)	613,733,302
Other operating expenses	2,856,945,298	(368,842,049)	2,488,103,249
Tax expense	811,255,791	21,613,706	832,869,497
Net effect in statement of profit or loss		P 50,431,980	

The effect of the restatements on the Bank's statement of cash flows for the year ended December 31, 2018 as shown below.

	As Previously Reported	Effects of Restatements	As Restated
Changes in operating cash flows:			
Profit before tax	P 2,944,937,778	P 72,045,686	P 3,016,983,464
Interest income	7,352,227,181	(209,784,359)	7,142,442,822
Changes in loans and receivables	4,359,674,344	281,830,045	4,641,504,389

(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 New and Amended PFRS

(a) *Effective in 2019 that are Relevant to the Bank*

The Bank adopted for the first time the new following PFRS, amendments, interpretations and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)		
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

(i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement.* The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). Management has assessed that the amendments have no significant impact on the Bank's financial statements.

(ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures.* The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management has assessed that the amendments have no significant impact on the Bank's financial statements.

(iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation.* The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at fair value through other comprehensive income (FVOCI). Management has assessed that the amendments have no significant impact on the Bank's financial statements.

(iv) PFRS 16, *Leases.* The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives and SIC 27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The adoption of this new standard resulted in the Bank accounting for its leases, as a lessee, "on-balance sheet" by recognizing a "right-of-use" asset and a lease liability.

The Bank adopted PFRS 16 using the modified retrospective approach as allowed by the standard. This allowed the Bank not to restate its prior periods' financial statements. The impact of PFRS 16 at the date of initial adoption, which is at January 1, 2019, is on the recognition of right-of-use asset and lease liability in the statement of financial position. The adoption of the standard has resulted in adjustments to the amounts recognized in the financial statements as at January 1, 2019 without cumulative effect on the opening balance of Retained Earnings for the current period. The new accounting policies of the Bank as a lessee are disclosed in Note 2.14(a).

Discussed below are the relevant information arising from the Bank's adoption of PFRS 16 and how the related accounts are measured and presented on the Bank's financial statements as at January 1, 2019.

a. For contracts in place at the date of initial application, the Bank has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.

b. The Bank recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate as of January 1, 2019. The Bank's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.50%.

c. The Bank has not elected to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The Bank also elected to measure the right-of-use assets at an amount equal to the lease liability.

d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Bank has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Bank has also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:

(i) reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As at January 1, 2019, the Bank has no onerous contracts; and,

(ii) use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The table below shows the effects of the adoption of PFRS 16 in the statement of financial position as at January 1, 2019.

	Carrying Amount (PAS 17) December 31, 2018	Remeasurement	Carrying Amount (PFRS 16) January 1, 2019
Resources –			
Right-of-use assets - net	P -	P 214,475,139	P 214,475,139
Liabilities –			
Accounts payable and other liabilities	1,013,355,701	214,475,139	1,227,830,840
Impact on net resources		P -	

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown below.

	Notes	
Operating lease commitments, December 31, 2018 (PAS 17)	23	P 266,242,623
Operating lease commitments previously not included		13,210,907
Leases with remaining term of less than 12 months	2.2(a)(iv)(d)	(14,908,992)
Operating lease liabilities before discounting		264,544,538
Discount using incremental borrowing rate	2.2(a)(iv)(b)	(50,069,399)
Lease liabilities, January 1, 2019 (PFRS 16)	11.2	P 214,475,139

(v) IFRIC 23, *Uncertainty Over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Bank to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Bank has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management has assessed that the adoption of the interpretation had no significant impact on the Bank's financial statements.

(vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant but have no significant impact on the Bank's financial statements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate.

(b) *Effective in 2019 that are not Relevant to the Bank*

Among the annual improvements to PFRS 2015-2017 Cycle which are mandatorily effective for annual periods beginning on or after January 1, 2019, the amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangement – Remeasurement of Previously Held Interest in a Joint Operation* are not relevant to the Bank's financial statements.

(c) Effective Subsequent to 2019 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Bank's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements,* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency.

(ii) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

(iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

2.3 Financial Assets

Financial assets are recognized when the Bank becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial asset, 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 under PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are classified at the following categories: financial assets at amortized cost, at FVOCI, and at fair value through profit or loss (FVTPL). The classification and measurement of the financial assets relevant to the Bank are described as follows:

(i) 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 SPPI on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

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 at 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.

(ii) Financial Assets at 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.

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.

(b) 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.

(c) 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.

(d) *Derecognition of Financial Assets*

(i) *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 a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are 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.

(ii) *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.

2.4 Offsetting of Financial Instruments

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

2.5 Bank Premises, Furniture, Fixtures and Equipment

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

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

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

Building and improvements	5 to 15 years
Furniture, fixtures and equipment	3 to 5 years
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 2.15).

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.

2.6 Assets Held for Sale

Assets held for sale include chattels and other moveable properties acquired through repossession or foreclosure that the Bank intends to sell within one year from the date of classification as held for sale and is committed to immediately dispose the assets through an active marketing program.

The Bank classifies 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 the Other Operating Income (Expenses) account in the statement of profit or loss.

2.7 Investment Properties

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

The Bank adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value. The cost of an investment property comprises its purchase price and directly attributable costs incurred. Depreciation and impairment loss are recognized in the same manner as in bank premises, furniture, fixtures and equipment (see Notes 2.5 and 2.15).

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.

2.8 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 2.15.

2.9 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 2.15).

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.

2.10 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.

2.11 Financial Liabilities

Financial liabilities, which include Deposit Liabilities, Bills Payable, and Accounts Payable and Other Liabilities (except for 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.

2.12 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.

2.13 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. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

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, and gains on sale of properties, 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, and 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 in Note 2.11, except capitalized borrowing costs which are included or part of the cost of the related qualifying asset (see Note 2.17).

2.14 *Leases – Bank as Lessee*

(a) *Accounting for Leases in Accordance with PFRS 16 (2019)*

For the outstanding lease contracts as of January 1, 2019 and any new contracts entered into on or after January 1, 2019, 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 2.15).

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.

(b) *Accounting for Leases in Accordance with PAS 17 (until December 31, 2018)*

Leases which do not transfer to the Bank substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Bank determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset.

2.15 *Impairment of Non-financial Assets*

Bank premises, furniture, fixtures and equipment, assets held for sale, investment properties, intangible assets, investment in an associate, 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.

2.16 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, *Provisions, Contingent Liabilities and Contingent Assets,* 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.

2.17 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.

2.18 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.

2.19 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.

2.20 Equity

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

Stock dividend distributable pertains to stock dividends declared by the Bank pending actual distributions to the shareholders.

Retained earnings represents 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; and,

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

2.21 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 significant increase in credit risk 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.

In addition, 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.

In 2019, the Bank disposed of certain investment securities at amortized cost in accordance with its investment policy and has applied these evaluation process to ensure that the disposal is consistent with the Bank's held-to-collect business model.

(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 (2019)*

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) *Distinction Between Operating and Finance Leases (2018)*

The Bank has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(g) *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 2.12 and relevant disclosures are presented in Note 23.

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 (2019)*

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 ECL assessed on 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 15, respectively. Based on management's assessment as at December 31, 2019 and 2018, 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 these assets, the Bank refers to the most recent list prices or fair value of the motorcycles less the appropriate cost to sell. The valuation is 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, 2019 and 2018, is disclosed in Note 22.

(g) Impairment of Non-financial Assets

The Bank's policy on estimating the impairment of non-financial assets is discussed in Note 2.15. 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, investment in an associate, 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 20.2 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 20.2.

(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.

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. 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 probability of default rates. This determines the internal credit rating and the PD.

(c) *Debt Securities at Amortized Cost and at FVOCI*

For the Bank's debt securities, 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 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.

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

The Bank incorporates forward-looking information (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 bodies (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, consumer price index, unemployment rates, and interest rates. 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.

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	2019	2018 [As Restated – see Note 2.1(b)]
Cash	7	**P 71,176,434**	P 79,075,209
Due from BSP	7	**2,971,517,467**	1,757,148,127
Due from other banks	7	**341,976,552**	356,261,356
Investment securities:			
At amortized cost	8	**2,461,974,891**	2,840,243,042
At FVOCI	8	**-**	57,977,022
Loans and receivables – net	9	**31,685,242,001**	26,574,949,378
Rental and utilities deposits	15	**27,923,961**	24,279,658
		P 37,559,811,306	P 31,689,933,792

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 that follow 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, 2019 and 2018, 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, 2019 and 2018 is presented below.

	2019			
Loans and Receivables	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Unclassified/Current: Grade A	P24,900,450,802	P -	P -	P 24,900,450,802
Especially mentioned: Grade B	-	3,633,262,347	187,144,455	3,820,406,802
Sub-standard: Grade C	-	2,176,659,966	750,586,287	2,927,246,253
Doubtful: Grade D	-	-	500,642,752	500,642,752
Loss: Grade E	-	-	1,470,288,616	1,470,288,616
	24,900,450,802	5,809,922,313	2,908,662,110	33,619,035,225
Allowance for ECL	(315,433,734)	(49,458,379)	(1,568,901,111)	(1,933,793,224)
Carrying amount	**P24,585,017,068**	**P5,760,463,934**	**P1,339,760,999**	**P 31,685,242,001**
Investments in Debt Securities				
At amortized cost –				
Unclassified/Current: Grade A	P 2,462,403,015	P -	P -	P 2,462,403,015
Allowance for ECL	(428,124)	-	-	(428,124)
Carrying amount	**P 2,461,974,891**	**P -**	**P -**	**P 2,461,974,891**

	2018 [As Restated – see Note 2.1(b)]			
Loans and Receivables	Stage 1	Stage 2	Stage 3	Total
Unclassified/Current: Grade A	P20,553,821,470	P -	P -	P 20,553,821,470
Especially mentioned: Grade B	-	2,789,174,363	-	2,789,174,363
Sub-standard: Grade C	-	2,923,620,795	1,221,654,600	4,145,275,395
Doubtful: Grade D	-	-	338,570,865	338,570,865
Loss: Grade E	-	-	209,463,583	209,463,583
	20,553,821,470	5,712,795,158	1,769,689,048	28,036,305,676
Allowance for ECL	(299,698,593)	(58,489,070)	(1,103,168,635)	(1,461,356,298)
Carrying amount	P 20,254,122,877	P 5,654,306,088	P 666,520,413	P 26,574,949,378
Investments in Debt Securities				
At amortized cost –				
Unclassified/Current: Grade A	P 2,840,560,372	P -	P -	P 2,840,560,372
Allowance for ECL	(317,330)	-	-	(317,330)
Carrying amount	P 2,840,243,042	P -	P -	P 2,840,243,042
At FVOCI –				
Unclassified/Current: Grade A	P 57,977,022	P -	P -	P 57,977,022

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 2019 and 2018 contributed to the changes in the allowance for ECL (amounts in millions of Philippine pesos).

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2019, as restated	P 20,554	P 5,712	P 1,770	P 28,036
Transfers:				
From Stage 1 to Stage 2	(1,235)	1,235	-	-
From Stage 1 to Stage 3	(1,096)	-	1,096	-
From Stage 2 to Stage 1	83	(83)	-	-
From Stage 2 to Stage 3	-	(433)	433	-
From Stage 3 to Stage 1	23	-	(23)	-
From Stage 3 to Stage 2	-	6	(6)	-
New financial assets originated:				
Remained in Stage 1	19,771	-	-	19,771
Moved to Stages 2 and 3	-	768	624	1,392
Financial assets derecognized or repaid during the year	(7,249)	(795)	(626)	(8,670)
Write-offs	-	-	(513)	(513)
Others	(5,951)	(600)	154	(6,397)
	4,346	98	1,139	5,583
Balance at December 31, 2019	**P 24,900**	**P 5,810**	**P 2,909**	**P 33,619**

	2018 [As Restated – see Note 2.1(b)]			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018, as restated	P 18,906	P 4,209	P 1,007	P 24,122
Transfers:				
From Stage 1 to Stage 2	(655)	655	-	-
From Stage 1 to Stage 3	(573)	-	573	-
From Stage 2 to Stage 1	452	(452)	-	-
From Stage 2 to Stage 3	-	(551)	551	-
From Stage 3 to Stage 1	11	-	(11)	-
From Stage 3 to Stage 2	-	4	(4)	-
New financial assets originated:				
Remained in Stage 1	16,617	-	-	16,617
Moved to Stages 2 and 3	-	896	711	1,607
Financial assets derecognized or repaid during the year	(6,116)	(1,290)	(552)	(7,958)
Write-offs	-	-	(722)	(722)
Others	(8,088)	2,241	217	(5,630)
	1,648	1,503	763	3,914
Balance at December 31, 2018, as restated	P 20,554	P 5,712	P 1,770	P 28,036

The gross carrying amounts of the Bank's investments in debt securities at amortized cost and at FVOCI are disclosed in Note 8.

(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 2019 (amounts in millions of Philippine pesos).

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance at January 1, 2019	P 300	P 58	P 1,103	P 1,461
Transfers:				
From Stage 1 to Stage 2	(32)	32	-	-
From Stage 1 to Stage 3	(567)	-	567	-
From Stage 2 to Stage 1	1	(1)	-	-
From Stage 2 to Stage 3	-	(249)	249	-
New financial assets originated:				
Remained in Stage 1	202	-	-	202
Moved to Stages 2 and 3	-	15	165	180
Financial assets derecognized or repaid during the year	(76)	(28)	(238)	(342)
Write-offs	-	-	(537)	(537)
Others	488	222	260	970
	16	(9)	466	473
Balance at December 31, 2019	**P 316**	**P 49**	**P 1,569**	**P 1,934**

	2018 [As Restated – see Note 2.1(b)]			
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2018	P 240	P 361	P 782	P 1,383
Transfers:				
From Stage 1 to Stage 2	(22)	22	-	-
From Stage 1 to Stage 3	(281)	-	281	-
From Stage 2 to Stage 1	11	(11)	-	-
From Stage 2 to Stage 3	-	(284)	284	-
New financial assets originated:				
Remained in Stage 1	189	-	-	189
Moved to Stages 2 and 3	-	30	243	273
Financial assets derecognized or repaid during the year	(66)	(86)	(266)	(418)
Write-offs	-	-	(902)	(902)
Others	229	26	681	936
	60	(303)	321	78
Balance at December 31, 2018	P 300	P 58	P 1,103	P 1,461

For the Bank's investments in debt securities at amortized cost, the Bank has recognized ECL of P0.4 million and P0.3 million as of December 31, 2019 and 2018, respectively. These are all classified in Stage 1 due to low credit risk.

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 (see Note 9). 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.

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 partially written off due to no reasonable expectation of full recovery. The outstanding amounts of such assets written off in 2019 and 2018 amounted to P536.7 million and P901.8 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.

	2019			2018		
	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	**P6,350,418,984**	**P 16,329,822**	**P 507,242,506**	P 3,832,484,692	P 26,382,315	P 621,234,553
Consumption	**-**	**21,427,837,500**	**524,250,402**	-	17,478,566,816	490,528,156
Real estate activities	**-**	**1,928,906,455**	**1,090,632,507**	-	1,602,313,808	1,210,487,981
Wholesale and retail trade	**-**	**1,646,847,529**	**-**	-	1,911,396,756	-
Agriculture, hunting and forestry	**-**	**1,368,577,778**	**-**	-	1,355,141,836	-
Other community, social and personal services	**-**	**1,072,828,304**	**-**	-	798,123,964	-
Transportation, storage and communication	**-**	**644,794,521**	**230,005,000**	-	661,530,943	231,000,000
Manufacturing	**-**	**533,664,907**	**-**	-	514,905,696	-
Construction	**-**	**289,946,641**	**-**	-	332,203,742	-
Human health and social service activities	**-**	**258,449,446**	**-**	-	291,500,154	-
Information and communication	**-**	**229,448,320**	**-**	-	378,621,049	-
Education	**-**	**220,208,033**	**-**	-	143,053,064	-
Private household	**-**	**18,613,777**	**-**	-	108,727,070	-
Electricity, gas and water	**-**	**8,577,416**	**110,272,601**	-	11,409,878	345,286,704
Mining and quarrying	**-**	**1,181,739**	**-**	-	1,635,647	-
	P 6,350,418,984	**P29,666,212,188**	**P 2,462,403,016**	P 3,832,484,692	P25,615,512,738	P 2,898,537,394

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, 2019 and 2018, 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 noninterest-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.

	2019		
	+/- %	**Profit Before Tax**	**Equity**
Due from other banks	2.03%	P 6,938,578	P 5,550,862
Investment securities at amortized cost	2.69%	66,146,065	52,916,852
		P 73,084,643	**P 58,467,714**

	2018		
	+/- %	Profit Before Tax	Equity
Due from other banks	2.28%	P 8,128,206	P 6,502,565
Investment securities:			
At FVOCI	3.04%	1,312,285	1,049,828
At amortized cost	3.04%	86,225,151	73,366,537
		P 95,665,642	P 80,918,930

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 16.66% and 13.01%, has been observed during 2019 and 2018, respectively. If quoted price for these securities increased or decreased by that amount, equity would have changed by P19.3 million and P13.8 million in 2019 and 2018, 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, 2019 and 2018 is presented below.

	2019			
	Due Within One Year	**Due Beyond One Year but Within Five Years**	**Due Beyond Five Years**	**Total**
Financial Resources:				
Cash	P 71,176,434	P -	P -	P 71,176,434
Due from BSP	2,971,517,467	-	-	2,971,517,467
Due from other banks	341,976,552	-	-	341,976,552
Investment securities:				
At FVOCI	-	120,208,280	-	120,208,280
At amortized cost	2,433,883	2,166,106,359	293,862,774	2,462,403,016
Loans and receivables	9,801,441,332	22,149,834,529	1,667,759,364	33,619,035,225
Rental and utilities deposits	-	-	27,923,961	27,923,961
Total	13,188,545,668	24,436,149,168	1,989,546,099	39,614,240,935
Financial Liabilities:				
Deposit liabilities	17,023,013,356	9,109,843,795	957,246,700	27,090,103,851
Accounts payable and other liabilities	1,026,625,946	152,928,626	22,875,900	1,202,430,472
Total	18,049,639,302	9,262,772,421	980,122,600	28,292,534,323
Periodic Surplus (Gap)	(4,861,093,634)	15,173,376,747	1,009,423,499	11,321,706,612
Cumulative Total Surplus (Gap)	**(P 4,861,093,634)**	**P 10,312,283,113**	**P 11,321,706,612**	**P 11,321,706,612**

	2018 [As Restated – see Note 2.1(b)]			
	Due Within One Year	Due Beyond One Year but Within Five Years	Due Beyond Five Years	Total
Financial Resources:				
Cash	P 79,075,209	P -	P -	P 79,075,209
Due from BSP	1,757,148,127	-	-	1,757,148,127
Due from other banks	356,261,356	-	-	356,261,356
Investment securities:				
At FVOCI	-	164,179,299	9,792,723	173,972,022
At amortized cost	54,873,323	1,520,617,839	1,265,386,541	2,840,877,703
Loans and receivables	7,324,699,297	19,347,199,178	1,364,407,201	28,036,305,676
Rental and utilities deposits	-	-	24,279,658	24,279,658
Total	P 9,572,057,312	P 21,031,996,316	P 2,663,866,123	P 33,267,919,751
Financial Liabilities:				
Deposit liabilities	12,815,535,659	10,394,504,997	13,190,562	23,223,231,218
Bills payable	405,476,499	-	-	405,476,499
Accounts payable and other liabilities	669,301,108	-	-	669,301,108
Total	13,890,313,266	10,394,504,997	13,190,562	24,298,008,825
Periodic Surplus (Gap)	(4,318,255,954)	10,637,491,319	2,650,675,561	8,969,910,926
Cumulative Total Surplus (Gap)	(P 4,318,255,954)	P 6,319,235,365	P 8,969,910,926	P 8,969,910,926

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; (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 no. 9160 of 2001 also known as the Anti-Money Laundering Act (AMLA), as amended by RA 9194 (March 2003), RA 10167 (June 2012), RA 10365 (March 2013) & RA 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 ML or TF; 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 Five Hundred Thousand Pesos (P500,000.00) 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 (5) 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 Board of Directors, Officers and Staff are provided modularized AML Training Program commensurate to their duties responsibilities.

The Audit and Compliance committee composed of 3 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.

	Notes	2019 Carrying Amounts	2019 Fair Values	2018 [As Restated – see Note 2.1(b)] Carrying Amounts	2018 [As Restated – see Note 2.1(b)] Fair Values
Financial Assets:					
At amortized cost:					
Cash	7	P 71,176,434	P 71,176,434	P 79,075,209	P 79,075,209
Due from BSP	7	2,971,517,467	2,971,517,467	1,757,148,127	1,757,148,127
Due from other banks	7	341,976,552	341,976,552	356,261,356	356,261,356
Loans and receivables	9	31,685,242,001	33,224,679,117	26,574,949,378	28,290,142,410
Investment securities at amortized cost - net	8	2,461,974,891	2,475,830,598	2,840,243,042	2,853,205,306
Rental utilities and deposits	15	27,923,961	27,923,961	24,279,658	24,279,658
		37,559,811,306	39,113,104,129	31,631,956,770	33,360,112,066
At fair value –					
Investment securities at FVOCI	8	120,208,280	120,208,280	173,972,022	173,972,022
		P37,680,019,586	P39,233,312,409	P31,805,928,792	P 33,534,084,088
Financial Liabilities:					
At amortized cost:					
Deposit liabilities	16	P27,090,103,851	P28,654,278,745	P23,223,231,218	P 24,125,350,508
Bills payable	17	-	-	405,476,499	405,476,499
Accounts payable and other liabilities	17	1,202,430,472	1,202,430,472	669,301,108	669,301,108
		P28,292,534,323	P29,856,709,217	P 24,298,008,825	P 25,200,128,115

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		Net amount
	Financial instruments	Amount set-off		Financial instruments	Collateral received	
December 31, 2019						
Financial assets – Loans and receivables	P 31,685,242	P -	P 31,685,242	P 31,685,242	(P 217,967)	P 31,467,275
Financial liabilities: Deposit liabilities	P 27,090,104	P -	P 27,090,104	P 27,090,104	(P 217,967)	P 26,872,137
December 31, 2018 (As Restated)						
Financial assets – Loans and receivables	P 26,588,978	(P 14,029)	P 26,574,949	P 26,574,949	(P 235,877)	P 26,339,072
Financial liabilities:						
Deposit liabilities	P 23,223,231	P -	P 23,223,231	P 23,223,231	(P 235,877)	P 22,987,354
Accounts payable and other liabilities	680,416	(14,029)	666,387	666,387	-	666,387
Total	P 23,903,647	(P 14,029)	P 23,889,618	P 23,889,618	(P 235,877)	P 23,653,741

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, 2019 and 2018.

	December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI:				
Equity securities	**P 120,208,280**	**P -**	**P -**	**P 120,208,280**

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI:				
Equity securities	P 115,995,000	P -	P -	P 115,995,000
Government debt securities	57,977,022	-	-	57,977,022
	P 173,972,022	P -	P -	P 173,972,022

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

(a) *Government and Corporate Debt Securities*

Government securities and 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, 2019 and 2018 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, 2019				
Financial assets:				
Cash	P 71,176,434	P -	P -	P 71,176,434
Due from BSP	2,971,517,467	-	-	2,971,517,467
Due from other banks	341,976,552	-	-	341,976,552
Investment securities at amortized cost – net	2,289,122,682	186,707,916	-	2,475,830,598
Loans and receivables – net	-	-	33,224,679,117	33,224,679,117
Rental and utilities deposits	-	-	27,923,961	27,923,961
	P 5,673,784,135	**P 186,707,916**	**P 33,252,603,078**	**P 39,113,104,129**
Financial liabilities:				
Deposit liabilities	P -	P -	P 28,654,278,745	P 28,654,278,745
Accounts payable and other liabilities	-	-	1,202,430,472	1,202,430,472
	P -	**P -**	**P 29,856,709,217**	**P 29,856,709,217**
December 31, 2018 (As Restated)				
Financial assets:				
Cash	P 79,075,209	P -	P -	P 79,075,209
Due from BSP	1,757,148,127	-	-	1,757,148,127
Due from other banks	356,261,356	-	-	356,261,356
Investment securities at amortized cost – net	2,631,570,717	221,634,589	-	2,853,205,306
Loans and receivables – net	-	-	28,290,142,410	28,290,142,410
Rental and utilities deposits	-	-	24,279,658	24,279,658
	P 4,824,055,409	P 221,634,589	P 28,314,422,068	P 33,360,112,066
Financial liabilities:				
Deposit liabilities	P -	P -	P 24,125,350,508	P 24,125,350,508
Bills payable	-	-	405,476,499	405,476,499
Accounts payable and other liabilities	-	-	669,301,108	669,301,108
	P -	P -	P 25,200,128,115	P 25,200,128,115

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 (GOCC) 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, while corporate debt securities are included in Level 1, which was determined based on prices quoted in BVAL representing prices of benchmark debt securities at the end of the reporting period.

(d) *Other Financial Assets*

Other financial assets pertain to security 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 and Bills Payable*

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 and bills payable without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of short term bills payable approximate their fair values.

(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 and in the succeeding page shows the levels within the hierarchy of investment properties measured at fair value on a recurring basis as at December 31, 2019 and 2018.

	2019			
	Level 1	Level 2	Level 3	Total
Land	P -	P 282,653,200	P 5,052,600	P 287,705,800
Buildings and improvements	-	27,515,790	79,157,660	106,673,450
	P -	P 310,168,990	P 84,210,260	P 394,379,250

	2018			
	Level 1	Level 2	Level 3	Total
Land	P -	P 133,729,707	P 69,626,908	P 203,356,615
Buildings and improvements	-	140,873,543	270,570,362	411,443,905
	P -	P 274,603,250	P 340,197,270	P 614,800,520

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

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

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

(i) Fair Value Measurement for Land

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

(ii) Fair Value Measurement for Buildings and Improvements

The Level 2 fair value of the buildings under the Investment Properties account 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 amounting to P568.7 million and P595.2 million in 2019 and 2018, respectively, are determined based on the recent experience in the valuation of similar properties. The fair value, determined under Level 3 measurement, was 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 2019 and 2018.

7. CASH AND CASH EQUIVALENTS

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

	Note	2019	2018
Cash		**P 71,176,434**	P 79,075,209
Due from BSP		**2,971,517,467**	1,757,148,127
Due from other banks		**341,976,552**	356,261,356
Receivables arising from reverse repurchase agreement	9	**2,965,748,531**	1,640,000,000
		P 6,350,418,984	P 3,832,484,692

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 5.0% to 6.5% in 2019 and 0.50% to 1.75% in 2018.

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 of 3.50% to 5.17% in 2019 and 3.50% to 4.50% in 2018.

Interest income from Due from Other Banks amounted to P13.6 million and P1.0 million in 2019 and 2018, respectively; while interest income from Due from BSP amounted to P56.2 million and P34.8 million in 2019 and 2018, respectively. Both are presented as Interest Income from Due from BSP and Other Banks in the statements of profit or loss.

In accordance with BSP regulations, the Bank is required to maintain regular reserves against savings, time deposits and demand deposits at 4.00% and 8.00% of the outstanding balance thereof in 2019 and 2018, respectively. The Bank has satisfactorily complied with the reserve requirements of the BSP as at December 31, 2019 and 2018 (see Note 16).

Receivables arising from reverse purchase agreement arise from BSP's purchases of government securities from the Bank with a commitment to sell it back at a specified future date. In the case of the Bank, the receivables arising from reverse purchase agreement mature within one week, hence, classified as cash equivalents with interest rates ranging from 4.00% to 4.75% in 2019 and 4.25% to 5.20% in 2018. Since the BSP's purchase will be reversed subsequently, the government securities sold amounting to P3.0 billion and P1.6 billion in 2019 and 2018, respectively, are considered collateralized securities.

8. INVESTMENT SECURITIES

This account is comprised of:

	2019	2018
Investment securities at amortized cost – net	**P 2,461,974,891**	P 2,840,243,042
Financial assets at FVOCI	**120,208,280**	173,972,022
	P 2,582,183,171	P 3,014,215,064

8.1 *Investment Securities at Amortized Cost*

Investment securities at amortized cost as at December 31, 2019 consist of:

	2019	2018
Corporate debt securities		
Quoted	**P 1,952,442,715**	P 2,276,184,568
Unquoted	**187,969,719**	245,543,569
Government securities (quoted)	**321,562,457**	318,514,905
	P 2,461,974,891	P 2,840,243,042

Interest rates per annum on government securities range from 3.25% to 6.13% in 2019 and 1.30% to 6.13% in 2018 while interest rates per annum on corporate debt securities range from 4.52% to 6.60% both in 2019 and 2018. The total interest earned amounted P156.4 million and P151.9 million in 2019 and 2018, 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:

	2019	2018
Balance at beginning of year	**P2,840,243,042**	P 2,642,585,048
Additions	**2,289,671**	376,958,592
Disposals	**(319,745,000)**	(28,000,000)
Redemptions	**(61,705,050)**	(79,060,921)
Write-off	**-**	(50,000,000)
Amortization of discount (premium)	**1,003,022**	(21,922,347)
Impairment loss	**(110,794)**	(317,330)
Balance at end of year	**P2,461,974,891**	P 2,840,243,042

In 2019, the Bank disposed of certain corporate debt securities with aggregate carrying amount of P269.7 million. The disposals were in line with the Bank's objective to improve its liquidity coverage ratio in compliance with the requirements of BSP Circular 996, *Amendments to the Liquidity Coverage Ratio Framework and Minimum Prudential Liquidity Requirements for Stand-Alone Thrift Banks, Rural Banks, Cooperative Banks and Quasi-Banks.*

The Bank assessed that the disposals of the investment securities at amortized cost under the HTC portfolio in 2019 are consistent with the Bank's hold to collect business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the Bank's business model in managing financial assets manual and the requirements of PFRS 9. The above disposals of investment securities were approved by the Asset and Liabilities Committee and the Risk Oversight Committee of the Bank in compliance with the documentation requirements of the BSP.

The total realized gain recognized by the Bank from the disposal of investment securities at amortized cost amounted to P2.2 million and P2.5 million in 2019 and 2018, respectively, and are presented as part of Realized gain on investment securities under Other Operating Income in the statement of profit or loss (see Note 19.1).

8.2 Financial Assets at FVOCI

The Bank classified certain investments as equity securities as at FVOCI. The FVOCI classification was made because the investments are expected to be held for the long term for strategic purposes.

The composition of these financial assets as at December 31, 2019 and 2018 as to type of investment is shown below.

	2019	2018
Equity securities (quoted)	**P 120,208,280**	P 115,995,000
Government securities (quoted)	**-**	57,977,022
	P 120,208,280	P 173,972,022

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

	2019	2018
Balance at the beginning of year	**P 173,972,022**	P 418,816,000
Additions	**463,000,000**	60,500,000
Disposals	**(523,500,000)**	(298,821,000)
Fair value gains (losses) – net	**6,851,084**	(6,637,804)
Amortization of discount (premium)	**(114,826)**	114,826
Balance at end of year	**P 120,208,280**	P 173,972,022

The fair value changes in the Bank's financial assets at FVOCI amounted to P6.9 million and P6.6 million for equity securities and government debt securities in 2019 and 2018, respectively, which are recognized as an adjustment in other comprehensive income and presented in the statements of comprehensive income under items that will not be reclassified subsequently (equity securities) and will be reclassified subsequently (debt securities) to profit or loss, respectively.

The total interest earned from financial assets at FVOCI amounted to P3.1 million and P1.9 million in 2019 and 2018, 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 financial assets at FVOCI amounted to P3.5 million and P0.1 million in 2019 and 2018, 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 19.1).

Dividends earned from financial assets at FVOCI amounting to P6.6 million for both 2019 and 2018, are presented as Dividend income under Other Operating Income in the statements of profit or loss (see Note 19.1).

9. LOANS AND RECEIVABLES

This account consists of the following:

	Notes	2019	2018 [As Restated – see Note 2.1(b)]
Receivables from customers:			
Consumption loans		**P 24,221,704,861**	P20,654,736,892
Commercial loans		**4,459,075,540**	3,603,423,669
Microfinance loans		**985,431,787**	1,357,352,177
		29,666,212,188	25,615,512,738
Other receivables:			
Receivables arising from reverse repurchase agreement	7	**2,965,748,531**	1,640,000,000
Accrued interest receivable		**700,527,174**	613,505,545
Accounts receivable		**266,629,090**	152,140,250
Sales contracts receivable		**19,918,242**	15,147,143
		3,952,823,037	2,420,792,938
Allowance for impairment		**(1,933,793,224)**	(1,461,356,298)
	21.1	**P 31,685,242,001**	P26,574,949,378

The annual effective interest rates on these loans range from 4.00% to 61.00% and 3.00% to 61.00% in 2019 and 2018, respectively. Total interest earned amounted to P8.2 billion and P7.0 billion in 2019 and 2018, 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.

	2019	2018
Balance at beginning of year	**P 1,461,356,298**	P 1,382,731,475
Impairment losses during the year	**1,230,348,657**	1,191,715,854
Write-off	**(536,729,720)**	(901,792,264)
Derecognition due to foreclosure:		
Motorcycle and consumer loans	**(209,922,568)**	(209,874,574)
Business loan	**(11,259,443)**	(1,424,193)
Balance at end of year	**P 1,933,793,224**	P 1,461,356,298

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 2019 and 2018 are shown below.

	Building and Improvements	Furniture, Fixtures and Equipment	Land	Computer Software	Total
December 31, 2019					
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**
December 31, 2018					
Cost	P 239,211,044	P 307,990,547	P 63,005,278	P 206,631,143	P 816,838,012
Accumulated depreciation and amortization	(162,109,937)	(283,446,928)	-	(78,756,613)	(524,313,478)
Net carrying amount	P 77,101,107	P 24,543,619	P 63,005,278	P 127,874,530	P 292,524,534
January 1, 2018					
Cost	P 221,495,312	P 286,823,620	P 32,294,285	P 163,332,644	P 703,945,861
Accumulated depreciation and amortization	(138,132,513)	(263,241,850)	-	(34,689,067)	(436,063,430)
Net carrying amount	P 83,362,799	P 23,581,770	P 32,294,285	P 128,643,577	P 267,882,431

A reconciliation of the carrying amounts at the beginning and end of 2019 and 2018 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, 2019, net of accumulated depreciation and amortization	P 77,101,107	P 24,543,619	P 63,005,278	P127,874,530	P 292,524,534
Additions	26,240,123	14,141,575	-	-	40,381,698
Depreciation and amortization charges for the year (see Note 19.2)	(24,211,831)	(21,317,734)	-	(35,531,082)	(81,060,647)
Balance at December 31, 2019, 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**
Balance at January 1, 2018, net of accumulated depreciation and amortization	P 83,362,799	P 23,581,770	P 32,294,285	P 128,643,577	P 267,882,431
Additions	17,715,732	21,166,927	30,710,993	44,438,857	114,032,509
Depreciation and amortization charges for the year (see Note 19.2)	(23,977,424)	(20,205,078)	-	(45,207,904)	(89,390,406)
Balance at December 31, 2018, net of accumulated depreciation and amortization	P 77,101,107	P 24,543,619	P 63,005,278	P 127,874,530	P 292,524,534

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, 2019 and 2018, the Bank has satisfactorily complied with this BSP requirement.

As at December 31, 2019 and 2018, 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 P454.3 million and P381.1 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 17.2). 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, 2019 and the movements during the period are shown below.

	Head Office	Branches	Warehouses	Total
Balance at beginning of year	P 66,728,728	P 124,243,242	P 23,503,169	P 214,475,139
Additions	-	103,942,009	14,032,859	117,974,868
Depreciation and amortization	(18,198,744)	(50,559,468)	(25,587,201)	(94,345,413)
Balance at end of year	P 48,529,984	P 177,625,783	P 11,948,827	P 238,104,594

Depreciation and amortization of right-of-use assets is presented as part of Depreciation and amortization under Other Operating Expenses account in the 2019 statement of profit or loss (see Note 19.2).

11.2 Lease Liabilities

The reconciliation of the Company's lease liabilities arising from financing activity is presented below [see Note 2.2(a)(iv)].

Balance as at December 31, 2018	P -
Effect of adoption of PFRS 16	214,475,139
Balance as at January 1, 2019	214,475,139
Cash flows from financing activities:	
Additional lease liabilities	117,974,868
Payment of principal portion of lease liabilities	(83,864,851)
Balance as at December 31, 2019	**P 248,585,156**

The total interest expense in relation to lease liabilities amounted to P14.9 million and is presented under Interest Expense on Lease Liabilities in the 2019 statement of profit or loss.

As at December 31, 2019, 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 at December 31, 2019 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
Lease payments	P86,709,125	P75,177,914	P50,739,110	P30,081,391	P12,670,088	P32,410,988	P287,788,616
Finance charges	(13,928,495)	(9,433,247)	(5,625,306)	(3,388,683)	(2,081,101)	(4,746,628)	(39,203,460)
Net present values	**P72,780,630**	**P65,744,667**	**P45,113,804**	**P26,692,708**	**P10,588,987**	**P27,664,360**	**P248,585,156**

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.

The expenses relating short-term leases and low-value assets amounted to P14.9 million and is presented as Rentals under Other Operating Expenses in the 2019 statement of profit or loss (see Note 19.2).

12. ASSETS HELD FOR SALE

Assets held for sale include repossessed motor vehicles that the Bank intends to sell within one year from the date these were classified as held for sale and is committed to immediately dispose the assets through an active marketing program. The breakdown of assets held for sale is shown below.

	2019	2018
Cost	**P 697,758,021**	P 547,565,921
Allowance for impairment	**(178,918,110)**	(138,251,888)
	P 518,839,911	P 409,314,033

The Bank recognized loss of P12.0 million and gain of P3.3 million in 2019 and 2018, respectively, from the sale of assets held for sale and is presented as part of Gain on sale of properties under the Other Operating Income in the statements of profit or loss (see Note 19.1).

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

	2019	2018
Balance at beginning of year	**P 138,251,888**	P 131,937,516
Impairment losses	**427,638,811**	322,315,416
Derecognition due to disposal	**(386,972,589)**	(316,001,044)
Balance at end of year	**P 178,918,110**	P 138,251,888

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 2019 and 2018 are shown below.

	Land	Buildings and Improvements	Total
December 31, 2019			
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**
December 31, 2018			
Cost	P 188,800,627	P 188,800,627	P 281,659,611
Accumulated depreciation	-	(46,521,348)	(46,521,348)
Allowance for impairment	(2,751,598)	(560,867)	(3,312,465)
Net carrying amount	P 90,107,386	P 141,718,412	P 231,825,798
January 1, 2018			
Cost	P 100,914,019	P 117,127,911	P 218,041,930
Accumulated depreciation	-	(33,218,625)	(33,218,625)
Allowance for impairment	(4,589,222)	(318,009)	(4,907,231)
Net carrying amount	P 96,324,797	P 83,591,277	P 179,916,074

A reconciliation of the carrying amounts at the beginning and end of 2019 and 2018 of investment properties is shown below.

	Land	Buildings and Improvements	Total
Balance at January 1, 2019, net of accumulated depreciation and impairment	P 90,107,386	P 141,718,412	P 231,825,798
Additions	8,250,744	13,649,499	21,900,243
Disposal	(9,094,196)	(8,760,458)	(17,854,654)
Depreciation charges for the year	-	(19,132,231)	(19,132,231)
Balance at December 31, 2019, net of accumulated depreciation and impairment	**P 89,263,934**	**P 127,475,222**	**P 216,739,156**
Balance at January 1, 2018, net of accumulated depreciation and impairment	P 96,324,797	P 83,591,277	P 179,916,074
Additions	2,393,042	71,753,354	74,146,396
Disposal	(8,367,838)	(1,347,585)	(9,715,423)
Reversal of impairment	-	1,837,624	1,837,624
Impairment loss	(242,615)	-	(242,615)
Depreciation charges for the year	-	(14,116,258)	(14,116,258)
Balance at December 31, 2018, net of accumulated depreciation and impairment	P 90,107,386	P 141,718,412	P 231,825,798

In 2018, the Bank recognized impairment loss amounting to P0.2 million, and is presented as part of Impairment Losses in the 2018 statements of profit or loss based on management's latest evaluation of recoverable amount computed based on appraised value of the properties (see Note 6.4). There was no additional impairment loss recognized in 2019.

The Bank sold certain investment properties which resulted in a gain of P17.3 million and P20.8 million in 2019 and 2018, respectively, and is presented as part of Gain on sale of properties under the Other Operating Income in the statements of profit or loss (see Note 19.1). Additions in 2019 and 2018 include real and other properties acquired through foreclosure of assets amounting to P21.9 million and P74.1 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. INVESTMENT IN AN ASSOCIATE

On September 15, 2015, the BSP approved the proposed P800.0 million equity investment of the Bank in BMI Finance Corporation (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.

The carrying amount of the equity investment, which is accounted for under equity method is shown below.

	2019	2018
Acquisition cost	**P 800,000,000**	P 800,000,000
Accumulated share in undistributed profit	**315,009,092**	418,414,112
	P 1,115,009,092	P 1,218,414,112

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

	2019	2018
Balance at beginning of year	**P 1,218,414,112**	P 1,132,475,940
Share in profit of associate for the year	**216,594,980**	245,938,172
Dividend received	**(320,000,000)**	(160,000,000)
Balance at end of year	**P 1,115,009,092**	P 1,218,414,112

The financial information of BFC as of and for the year ended December 31, 2019 and 2018 are shown below.

	2019	2018
Financial information:		
Assets		
Current	**P1,204,257,376**	P 1,466,817,246
Non-current	**3,747,058,481**	3,239,535,759
Liabilities		
Current	**504,464,383**	400,988,979
Non-current	**1,620,000,000**	1,220,000,000
Revenues	**2,249,109,192**	2,222,706,321
Operating expenses	**1,436,463,457**	1,314,741,002
Net profit	**541,487,448**	614,845,430

	2019	2018
Reconciliation:		
Net asset of BFC	**P2,826,851,474**	P 3,085,364,026
Proportion	**40%**	40%
Carrying amount of investment	**P1,130,740,590**	P 1,234,145,610

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

15. OTHER RESOURCES

This account consists of:

	2019	2018
Prepaid expenses	**P 59,247,606**	P 41,068,958
Cost of ongoing software development	**46,202,391**	364,698
Rental and utilities deposits	**27,923,961**	24,279,658
Documentary stamps on hand	**14,072,016**	18,335,014
Intangible assets – net	**4,788,072**	12,417,037
Advances to suppliers	**2,791,605**	8,702,277
Others	**67,906,200**	4,430,923
	P 222,931,851	P 109,598,565

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.

Amortization of the Bank's licenses classified as intangible assets amounted to P2.8 million and P1.4 million in 2019 and 2018, respectively, and are presented as part of Depreciation and amortization under Other Operating Expenses account in the statements of profit or loss (see Note 19.2).

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

16. DEPOSIT LIABILITIES

This account consists of:

	2019	2018
Time	**P 24,262,210,809**	P 20,835,705,048
Savings	**1,441,974,583**	1,235,868,340
Demand	**1,385,918,459**	1,151,657,830
	P 27,090,103,851	P 23,223,231,218

Interest rates on deposit liabilities range between 0.75% and 6.30% per annum both in 2019 and 2018. Interest expense on deposit liabilities amounted to P1.1 billion and P1.0 billion in 2019 and 2018, 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 P1.2 billion and P1.7 billion as at December 31, 2019 and 2018, 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:

	2019	2018
Time	**P 970,488,432**	P 1,666,856,404
Savings	**57,678,983**	98,869,467
Demand	**55,436,739**	92,132,626
	P 1,083,604,154	P 1,857,858,497

The BSP's reserve requirement is composed of regular reserve and liquidity reserve requirement equivalent to 4.00% and 8.00% in both 2019 and 2018, respectively (see Note 7).

Currently, the Bank's reserves are maintained in the form of amounts due from BSP. As of December 31, 2019 and 2018, the Bank's deposit liabilities are adequately covered by reserves as required by the BSP (see Note 7).

17. BILLS PAYABLE AND ACCOUNTS PAYABLE AND OTHER LIABILITIES

17.1 Bills Payable

In 2018, the Bank renewed its credit lines with local banks and availed of unsecured borrowings with 30 days to 60 days maturity and with annual interest rate ranging from 5.30% to 5.45%.

As of December 31, 2019, the Bank has no outstanding bills payable. The outstanding balance as of December 31, 2018 amounting to P405.5 million is presented as Bills Payable in the 2018 statement of financial position.

Interest expense amounted to P20.1 million in 2019 and P23.6 million in 2018 and is presented as Interest Expense on Bills Payable in the statements of profit or loss.

17.2 Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of:

	Notes	2019	2018
Accounts payable	21	**P 877,594,970**	P 599,448,225
Income tax payable		**390,610,626**	244,304,076
Lease liabilities	11	**248,585,156**	-
Retirement benefit obligation	20.2	**169,241,200**	44,236,000
Other taxes payable		**99,392,940**	55,514,517
Manager's checks		**28,862,283**	25,706,941
Due to Philippine Deposit Insurance Corporation		**27,009,844**	23,303,429
Others		**20,378,219**	20,842,513
		P 1,861,675,238	P 1,013,355,701

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.

18. EQUITY

18.1 Capital Stock

The details of the Banks's capital stock as at December 31, 2019 and 2018 are as follows:

	Shares		Amount	
	2019	2018	**2019**	2018
Authorized	**600,000,000**	600,000,000	**P 6,000,000,000**	P 6,000,000,000
Issued and outstanding:				
Balance at beginning of year	**500,000,000**	47,500,000	**P 5,000,000,000**	P 4,750,000,000
Issuance of shares	**-**	2,500,000	**-**	250,000,000
Effect of stock split	**-**	450,000,000	**-**	-
Balance at end of year	**500,000,000**	500,000,000	**P 5,000,000,000**	P 5,000,000,000

On December 13, 2016 and January 10, 2017, the Bank's BOD and stockholders, respectively, approved the amendment to the Bank's Articles of Incorporation to increase the authorized capital stock of the Bank from P5.0 billion to P6.0 billion. In relation to this increase, the Bank also effected a 10:1 stock split thereby decreasing the par value of the Bank's common shares from P100.00 per share to P10.00 per share.

The increase in authorized capital stock was approved by the BSP on July 28, 2017 and by the SEC on January 8, 2018. Following the increase in authorized capital stock of the Bank in 2018, the Bank proportionately issued the previously declared stock dividends to its stockholders for a total consideration of P250.0 million.

The Bank has 55 stockholders as at December 31, 2019 and 2018 owning 100 or more shares each of the Bank's capital stock.

18.2 Cash Dividends Declared

On August 13, 2019, the BOD approved the declaration of cash dividend on common shares amounting to P600.0 million (P1.2 per share) to stockholders of record as of July 31, 2019 which was fully paid on August 31, 2019. No cash dividend was declared in 2018.

18.3 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):

	2019	2018
Tier 1 Capital	**P 9,770,106**	P 7,860,111
Tier 2 Capital	**-**	-
Total Regulatory Qualifying Capital	**P 9,770,106**	P 7,860,111
Total Risk Weighted Assets	**P 40,721,205**	P 35,567,487
Capital Ratios:		
Total regulatory capital expressed as percentage of total risk weighted assets	**23.99%**	22.10%
Total Tier 1 expressed as percentage of total risk weighted assets	**23.99%**	22.10%

As at December 31, 2019 and 2018, the Bank's capital adequacy ratios are 23.99% and 22.10%, 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.

18.4 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, 2019 and 2018, 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.

18.5 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, 2019 are analyzed below (amounts in millions except MLR figure).

Eligible stock of liquid assets	P 6,669
Total qualifying liabilities	27,988
MLR	23.83%

The Bank complies with the MLR requirement of 20% effective January 1, 2019 and is expected to be compliant consistently and on an ongoing basis.

19. OTHER OPERATING INCOME AND EXPENSES

19.1 Other Operating Income

This account is composed of the following:

	Notes	2019	2018 [As Restated (see Note 2.1(b)]
Other interest charges		**P 527,785,586**	P 471,959,942
Recovery of written off accounts		**71,129,207**	72,162,743
Processing fees		**16,445,562**	9,475,084
Dividend income	8.2	**6,565,480**	6,565,480
Realized gain on investment securities	8.1, 8.2	**5,673,245**	2,615,358
Gain on sale of properties – net	12, 13	**5,326,881**	24,057,513
Miscellaneous		**68,231,722**	26,897,182
		P 701,157,683	P 613,733,302

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.

19.2 Other Operating Expenses

This account is composed of the following:

	Notes	2019	2018 [As Restated – see Note 2.1(b)]
Outside services	21.3, 21.4, 21.5	**P 786,756,777**	P 641,767,366
Employee benefits	20.1, 21.10	**703,368,989**	671,279,761
Taxes and licenses		**592,296,115**	473,686,965
Depreciation and amortization	10, 11.1, 13, 15	**197,355,600**	103,988,646
Advertising and publicity		**158,983,169**	133,521,591
Insurance		**53,855,178**	47,778,986
Communication		**51,406,497**	49,039,272
Fees and commissions	21.2, 21.5	**48,861,600**	13,184,591
Security services		**40,556,940**	35,752,807
Supplies		**37,372,016**	18,654,878
Power, light and water		**25,855,100**	23,296,244
Management and other professional fees		**25,107,525**	20,925,719
Janitorial and messengerial services		**23,553,301**	20,014,692
Transportation and travel		**19,864,265**	20,851,627
Rentals	11.3, 23.1	**14,908,992**	112,614,237
Seminars and trainings		**13,933,049**	16,407,617
Supervision fees		**10,833,190**	9,240,440
Repairs and maintenance		**7,039,242**	6,802,388
Information technology		**6,414,228**	21,528,039
Fuel		**5,852,405**	6,193,847
Representation and entertainment		**5,223,366**	4,801,056
Litigation/assets acquired expenses		**4,964,680**	6,621,367
Freight		**4,368,793**	3,964,780
Directors' fees		**3,755,000**	4,230,000
Miscellaneous	20.2	**35,678,425**	21,956,333
		P 2,878,164,442	P 2,488,103,249

Miscellaneous expense includes outsourcing fees on ATM, guarantee fees, recruitment fees, and bank service charges, among others.

20. EMPLOYEE BENEFITS

20.1 Employee Benefits Expense

Expenses recognized for employee benefits are presented below (see Note 19.2).

	2019	2018
Short-term employee benefits	**P 677,795,889**	P 654,426,161
Post-employment defined benefit	**25,573,100**	16,853,600
	P 703,368,989	P 671,279,761

20.2 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 2019 and 2018.

The amounts of retirement benefit obligation recognized in the statements of financial position are determined as follows (see Note 17.2):

	2019	2018
Present value of the obligation	**P 224,769,700**	P 102,940,300
Fair value of plan assets	**(55,528,500)**	(58,704,300)
	P 169,241,200	P 44,236,000

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

	2019	2018
Balance at beginning of year	**P 102,940,300**	P 95,079,300
Current service costs	**25,573,100**	16,853,800
Benefits paid	**(6,666,800)**	(5,304,800)
Interest expense	**3,972,200**	4,001,500
Remeasurements –		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**101,932,400**	(16,727,700)
Experience adjustments	**(2,981,500)**	9,038,200
Balance at end of year	**P 224,769,700**	P 102,940,300

Actuarial loss in 2019 arising from changes in financial assumptions pertains to the substantial increase in the expected rate of salary increases which increased the actuarially determined obligation as at December 31, 2019.

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

	2019	2018
Balance at beginning of year	P 58,704,300	P 45,225,600
Contributions to the plan	-	17,317,900
Benefits paid	(6,666,800)	(5,304,800)
Interest income	4,014,400	2,945,800
Actuarial losses on plan asset	(523,400)	(1,480,200)
Balance at end of year	P 55,528,500	P 58,704,300

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

	2019	2018
Time deposit accounts	P 50,481,227	P 52,044,515
Mutual fund investments	4,355,653	5,485,310
Savings accounts	691,620	1,174,475
	P 55,528,500	P 58,704,300

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 P3.5 million in 2019 and P1.5 million in 2018.

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:

	2019	2018
Reported in profit or loss		
Current service cost	P 25,573,100	P 16,853,600
Net interest expense (income)	(42,200)	1,055,700
	P 25,530,900	P 17,909,300
Reported in other comprehensive income (loss)		
Actuarial gains (losses) arising from changes in:		
Financial assumptions	(P 101,932,400)	P 16,727,700
Experience adjustments	2,981,500	(9,038,200)
Return on plan assets (excluding amounts included in net interest expense)	(523,400)	(1,480,200)
	(P 99,474,300)	P 6,209,300

The net interest income in 2019 is netted against of Miscellaneous under Other Operating Expenses account in the 2019 statement of profit or loss while the net interest expense incurred in 2018 is presented as Others under the Interest Expense account in the 2018 statement 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:

	2019	2018
Discount rates	4.70%	7.25%
Expected rate of salary increases	5.75%	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 13 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, 2019 and 2018:

	Impact on Post-employment Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2019			
Discount rate	**+/- 1.00%**	**(P 197,538,000)**	**P 258,126,100**
Salary growth rate	**+/- 1.00%**	**257,404,700**	**(197,560,900)**
December 31, 2018			
Discount rate	+/- 1.00%	(P 94,044,800)	P 113,572,000
Salary growth rate	+/- 1.00%	113,939,000	(93,625,900)

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 P169.2 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 P25.0 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:

	2019	2018
Within one year	**P 22,502,656**	P 13,296,037
More than one year to five years	**19,022,449**	14,687,929
More than five years to ten years	**37,058,093**	22,114,977
	P 78,583,198	P 50,098,943

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

21. RELATED PARTY TRANSACTIONS

The Bank's related parties include its associate, entities under common ownership, key management personnel and others as described in Note 2.19.

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

		2019		2018	
Related Party Category	Notes	**Amount of Transaction**	**Outstanding Balance**	Amount of Transaction	Outstanding Balance
Associate					
Collection fees	21.4	**P 485,768,947**	**(P 43,896,585)**	P 413,013,637	(P 1,360,415)
Share in net profit	14	**216,594,980**	**315,009,092**	245,938,172	418,414,112
Dividend received	14	**320,000,000**	**-**	160,000,000	-
Deposit liabilities	21.9	**12,796,087**	**(12,796,087)**	95,905,530	(95,905,530)
Accounts payable	21.8	**152,564,013**	**(152,564,013)**	133,891,449	(133,891,449)
Credit investigation support services	21.5	**125,138,000**	**(12,376,500)**	117,284,500	(10,069,325)
Accounts receivable	21.7	**37,910,553**	**61,478,121**	11,074,611	23,567,568
Leases		**(569,478)**	**-**		
Investment	14	**-**	**800,000,000**	-	800,000,000
Related Parties Under Common Ownership					
DOSRI loans	21.1	**503,100,000**	**173,012,024**	608,504,562	232,205,341
Referral commission	21.2	**618,354,725**	**(228,878,427)**	257,615,823	(87,394,698)
Collection fees	21.4	**148,726,667**	**(39,613,538)**	101,258,096	(7,622,270)
Selling commission	21.3	**79,044,688**	**(15,981,662)**	65,212,560	(1,730,745)
Leases	23.1	**38,522,815**	**-**	39,111,619	-
Interest income	21.1	**10,239,092**	**-**	10,609,385	-
Key Management Personnel					
Compensation	21.10	**59,285,943**	**-**	54,247,918	-
DOSRI loans	21.1	**42,000,000**	**48,256,763**	8,854,913	6,313,553
Interest income	21.1	**925,968**	**-**	687,087	-

Following are the details of the foregoing transactions:

21.1 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, 2019 and 2018.

The total DOSRI loans amounted to P221.3 million and P238.5 million as of December 31, 2019 and 2018, respectively and presented as part of the Loans and Receivables account in the statements of financial position (see Note 9). These loans bear annual interest ranging from 3.81% to 9.75% and 2.37% to 10.0% for 2019 and 2018, respectively, are fully secured, and have terms ranging from one month to five years. The percentage of DOSRI to total loans in 2019 and 2018 is 0.75% and 0.93%, respectively. There were no past due and nonperforming DOSRI loans in 2019 and 2018; hence, no impairment loss on them have been recognized in both years.

21.2 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 19.2). 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 17.2).

21.3 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 19.2). The outstanding payable on selling commission as of December 31, 2019 and 2018 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 17.2).

21.4 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 19.2). 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 17.2).

21.5 Credit Investigation Support Services

The Bank entered into an agreement with its associate 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 19.2).

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 17.2).

21.6 Retirement Fund

Time deposit accounts amounting to P50.5 million and P52.0 million as at December 31, 2019, and 2018, respectively, were established by the Bank as plan assets for the retirement plan. Interest income earned by these time deposits amounted to P3.1 million, and P2.9 million in 2019 and 2018, 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 20.2.

The retirement fund neither provides any guarantee or surety for any obligation of the Bank nor its investments covered by any restrictions or liens.

21.7 Accounts Receivable

This mainly pertains to assets held for sale of the Bank which were subsequently sold and refinanced by its associate. 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 17.2).

21.8 Accounts Payable

This pertains to collections of the Bank's associate 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 17.2).

21.9 Deposit Liabilities

The Bank has deposit liabilities to its associate amounting to P12.8 million and P95.9 million as at December 31, 2019 and 2018, respectively, and is presented as part of Deposit Liabilities in the statements of financial position (see Note 16).

Deposit liabilities transactions with its associate have similar terms with other counterparties (see Note 16). Annual interest rates is 0.75% both in 2019 and 2018.

Moreover, in the ordinary course of business, the Bank has deposit transactions with certain DOSRI and with outstanding deposit balance as at December 31, 2019 and 2018.

21.10 Key Management Personnel Compensation

The key management personnel compensation amounted to P59.3 million and P54.2 million for the years ended December 31, 2019 and 2018, respectively, and are shown as part of Employee benefits under Other Operating Expenses account in the statements of profit or loss (see Note 19.2).

22. TAXES

22.1 Current and Deferred Taxes

The components of tax expense as reported in profit or loss and other comprehensive income are as follows:

	2019	2018 [As Restated – see Note 2.1(b)]
Profit or loss		
Current tax expense:		
Regular corporate income tax (RCIT) at 30%	**P 1,035,295,359**	P 775,754,414
Final taxes	**60,898,041**	44,082,582
	P 1,096,193,400	P 819,836,996
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(115,494,141)**	13,032,501
	P 980,699,259	P 832,869,497
Other comprehensive income		
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(P 29,842,290)**	P 1,862,790

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

	2019	2018 [As Restated – see Note 2.1(b)]
Tax on pre-tax profit at 30%	**P 1,095,402,175**	P 905,095,039
Adjustments for income subjected to final tax	**(64,010,278)**	(10,252,949)
Tax effects of:		
Non-taxable income	**(73,093,657)**	(80,562,817)
Non-deductible expenses	**22,401,019**	18,590,224
Tax expense	**P 980,699,259**	P 832,869,497

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

	2019	2018 [As Restated – see Note 2.1(b)]
Deferred tax assets:		
Allowance for impairment	**P 634,935,577**	P 480,845,513
Lease liabilities	**74,575,546**	-
Retirement benefit obligation	**50,772,300**	13,270,740
Unrealized loss on repossession	**39,189,649**	20,990,399
Depreciation of investment properties	**17,725,723**	13,956,404
Unamortized past service cost	**-**	(24,316)
	817,198,795	529,038,740
Deferred tax liabilities:		
Deferred loan origination costs	**(172,446,264)**	(101,054,018)
Right-of-use asset	**(71,431,378)**	-
	(243,877,642)	(101,054,018)
Net deferred tax assets	**P 573,321,153**	P 427,984,722

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:

	2019	2018 [As Restated – see Note 2.1(b)]
Profit or loss:		
Allowance for impairment losses	**(P 154,090,064)**	(P 72,623,563)
Amortized loan origination costs	**71,392,246**	21,613,706
Unrealized loss on repossession	**(18,199,251)**	3,603,666
Lease liabilities	**(10,233,005)**	-
Retirement benefit obligation	**(7,659,270)**	1,685,370
Amortization of right-of-use asset	**7,088,837**	-
Depreciation of investment properties	**(3,769,318)**	58,660,400
Unamortized past service cost	**(24,316)**	92,922
Deferred tax expense (income)	**(P 115,494,141)**	P 13,032,501
Other comprehensive income:		
Retirement benefit obligation	**(P 29,842,290)**	P 1,862,790

The Bank is subject to the minimum corporate income tax (MCIT) which is computed at 2% of gross income, as defined under the tax regulations, or RCIT, whichever is higher. No MCIT was reported in 2019 and 2018 as the RCIT was higher than MCIT in both years.

The Bank opted to claim itemized deductions in 2019 and 2018 in the computation of its income tax due.

22.2 Gross Receipts Tax

On January 29, 2004, RA No. 9238 reverted the imposition of gross receipt tax (GRT) on banks and financial institutions. This law is retroactive from January 1, 2004. Further, on May 24, 2005, the amendments on RA No. 9337 was approved imposing the following rates to be collected on gross receipts derived from sources in the Philippines by all banks and non-bank financial intermediaries:

(a) On interest, commissions and discounts from lending activities as well as income from financial leasing, on the basis of remaining maturities of instruments from which such receipts are derived:

With maturity period of five years or less	5%
With maturity period of more than five years	1%

(b) On dividends and equity shares in the net income of subsidiaries	0%
(c) On royalties, rentals of property, real or personal, profits from exchange and all other items treated as gross income under Section 32 of the National Internal Revenue Code	7%
(d) On net trading within the taxable year on foreign currency, debt securities, derivatives, and other similar financial instruments	7%

Provided, however, that in case the maturity period referred to in paragraph (a) is shortened thru pretermination, then the maturity period shall be reckoned to end as of the date of pretermination for purposes of classifying the transaction and the correct rate of tax shall be applied accordingly.

22.3 Documentary Stamp Tax

Documentary stamp tax (DST) at rates ranging from P0.30 to P2 on each P200 of the face value of the certificate or document are imposed on the following (amounts herein are expressed in absolute value):

(a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;

(b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;

(c) Acceptance of bills of exchange and letters of credit; and,

(d) Bills of lading or receipt.

On February 7, 2004, RA No. 9243 was passed amending the rates of DST, the significant provisions of which are summarized as follows.

(a) On every issue of debt instruments, there shall be collected a DST of P1 on each P200 or fractional part of the issue price of any such debt instrument;

(b) On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of P0.75 on each P200, or fractional part, of the par value of such stock;

(c) On all bills of exchange or drafts, there shall be collected DST of P0.30 on each P200, or fractional part, of the face value of any such bill of exchange or draft; and,

(d) The following instruments, documents and papers shall be exempt from DST:

- Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
- Loan agreements or promissory notes, the aggregate of which do not exceed P250 thousand or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on instalment for his personal use;
- Sale, barter or exchange of shares of stock listed and traded through the local stock exchange for a period of five years from the effectivity of RA No. 9243;
- Fixed income and other securities traded in the secondary market or through an exchange;
- Derivatives including repurchase agreements and reverse repurchase agreements;
- Bank deposit accounts without a fixed term or maturity; and,
- Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

23. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Bank:

23.1 Operating Lease Commitments – Bank as Lessee

The Bank entered into several lease agreements under operating leases covering the office spaces of its branches. The leases have terms ranging from one to five years, with renewal options, and include escalation rates ranging from 5.00% to 10.00%. The future minimum rentals payable under these operating leases as of December 31, 2018 are shown below.

Within one year	P 83,389,436
After one year but not more than five years	176,117,335
More than five years	6,735,852
	P 266,242,623

The total rentals from these operating leases amounted to P112.6 million in 2018 was presented as Rent under Other Operating Expenses in the 2018 statement of profit or loss (see Note 19.2).

23.2 Others

There are other 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, 2019 and 2018, 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.

24. EVENTS AFTER THE END OF REPORTING PERIOD

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a 'public health emergency of international concern.' COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in a wide-ranging business interruption such as disrupting supply chains and affecting production and sales across a range of industries.

In March 2020, the Bank implemented its business continuity plan (BCP), in view of the rising number of confirmed COVID-19 cases in the Philippines. The BCP ensures that the Bank will be able to deliver its products and services in the event of extreme duress including medical issues and/or government control measures. The Bank is committed to uninterrupted business operations including ensuring clients' access to cash, providing sufficient liquidity in the banking system, and managing stable payments and settlements. It is sufficiently capitalized to support both short-term and long-term obligations and it is committed to taking necessary steps to avoid potential disruption of services to its clients and customers.

The Bank in compliance with BSP Memorandum No. 2020 – 017, *Implementing Rules and Regulations (IRR) of Section 4(aa) of Republic Act No. 11469, Otherwise Known as the "Bayanihan to Heal As One Act",* implemented a 30-day grace period to all loans with principal and/or interest falling due within the Enhanced Community Quarantine period, without incurring interest on interest, penalties, fees and other charges. The 30-day grace period shall apply to each loan of individuals and entities with multiple loans. The accrued interest for the 30-day grace period may be paid by the borrower on staggered basis over the remaining life of the loan. Nonetheless, this shall not preclude the borrower from paying the accrued interest in full on the new due date.

While at this time, the disruption is expected to be temporary, management is cognizant of the fact that its inability to operate the businesses normally over a prolonged period of time could have a negative impact on the Bank's financial condition and results of operations. The severity of these consequences will depend on certain developments, including the duration and spread of the outbreak, impact on Bank's customers, employees, and the accessibility and effectiveness of government support programs to a group of customers, all of which are uncertain and cannot be predicted as of the date of the issuance of the Bank's financial statements. Accordingly, management is unable to reliably estimate yet the impact of the outbreak on the Bank's financial position and results of operation for future periods.

On June 19, 2020, the Bank performed a baseline assessment on the impact COVID-19. The following are the results of the Bank's assessment:

- *Liquidity position remains stable.* Depositor withdrawals during the quarantine period is at normal levels. Deposits increased due to closure of nearby branches of other banks; hence, providing excess liquidity from the normal level. Certain borrowers settled contractual amortization dues during the quarantine period and the Bank had limited loan releases.
- *Returns remain to be optimistic.* The Bank expects its profitability position to be on a positive outlook despite the pandemic and the mandatory grace period on all borrowers. This is due to the Bank's expectation that the level of motorcycle financing and mSME lending will pick up and that its collection performance will still be favorable.
- *Bank is well capitalized.* The Bank is still expected to be adequately capitalized and the CAR to be above the required minimum given the existing level of more than 24% and at the same time, loans are adequately provided. This shall hold true despite the expected impacts of the pandemic.

The above assessment will further depend on certain developments, including the duration and spread of the outbreak, impact on Bank's customers, employees, and the accessibility and effectiveness of government support programs.

Nevertheless, the Bank has determined that these events are non-adjusting subsequent events. Accordingly, it has no effect on the Bank's financial statements as at and for the year ended December 31, 2019.

25. CURRENT AND NON-CURRENT CLASSIFICATION OF RESOURCES AND LIABILITIES

	Current	Non-current	Total
December 31, 2019			
Cash	P 71,176,434	P -	P 71,176,434
Due from BSP	2,971,517,467	-	2,971,517,467
Due from other banks	341,976,552	-	341,976,552
Investment securities - net	2,433,882	2,579,749,289	2,582,183,171
Loans and other receivables - net	6,003,756,499	25,681,485,502	31,685,242,001
Bank premises, furniture, fixtures and equipment - net	-	251,845,585	251,845,585
Assets held for sale - net	518,839,911	-	518,839,911
Right-of-use assets - net	-	238,104,594	238,104,594
Investment properties - net	-	216,739,156	216,739,156
Investment in an associate	-	1,115,009,092	1,115,009,092
Deferred tax assets - net	-	573,321,153	573,321,153
Other resources - net	142,465,566	80,466,285	222,931,851
Total Resources	**P 10,052,166,311**	**P 30,736,720,656**	**P 40,788,886,967**
Deposit liabilities	P 17,023,013,356	P 10,067,090,495	P 27,090,103,851
Accounts payable and other liabilities	1,516,629,512	345,045,726	1,861,675,238
Total Liabilities	**P 18,539,642,868**	**P 10,412,136,221**	**P 28,951,779,089**

	Current	Non-current	Total
December 31, 2018 (As Restated)			
Cash	P 79,075,209	P -	P 79,075,209
Due from BSP	1,757,148,127	-	1,757,148,127
Due from other banks	356,261,356	-	356,261,356
Investment securities - net	54,839,698	2,959,375,366	3,014,215,064
Loans and other receivables - net	4,529,488,668	22,045,460,710	26,574,949,378
Bank premises, furniture, fixtures and equipment - net	-	292,524,534	292,524,534
Assets held for sale - net	409,314,033	-	409,314,033
Investment properties - net	-	231,825,798	231,825,798
Investment in an associate	-	1,218,414,112	1,218,414,112
Deferred tax assets - net	-	427,984,722	427,984,722
Other resources - net	70,975,644	38,622,921	109,598,565
Total Resources	P 7,257,102,735	P 27,214,208,163	P 34,471,310,898
Deposit liabilities	P 12,815,535,659	P 10,407,695,559	P 23,223,231,218
Accounts payable and other liabilities	969,119,701	44,236,000	1,013,355,701
Bills payable	405,476,499	-	405,476,499
Total Liabilities	P 14,190,131,859	P 10,451,931,559	P 24,642,063,418

26. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (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.

	2019	2018
Return on average equity Net profit / Average total capital accounts	**23.95%**	25.51%
Return on average resources Net profit / Average total resources	**6.80%**	6.64%
Net interest margin Net interest income / Average interest earning resources	**22.73%**	21.98%

(b) Capital Instruments Issued

The significant information related to the capital instrument issued by the Bank is described in more detail in the respective note.

Type of Instrument	Note	2019	2018
Common share (CET 1)	18.1	**P5,000,000,000**	P5,000,000,000

(c) Significant Credit Exposures for Loans

Under the BSP guidelines, the Bank is required to disclose concentration of credit as to industry or economic sector where concentration is said to exist. The Bank's concentration of credit as to economic activity for its loans gross of allowance for ECL follows:

	2019 Amount	2019 Percentage	2018 [As Restated — see Note 2.1(b)] Amount	2018 [As Restated — see Note 2.1(b)] Percentage
Consumption	**P 21,427,837,500**	**72.23%**	P 17,478,566,816	68.23%
Real estate, renting and other related activities	**1,928,906,455**	**6.50%**	1,602,313,808	6.26%
Wholesale and retail trade	**1,646,847,529**	**5.55%**	1,911,396,756	7.46%
Agriculture, hunting and forestry	**1,368,577,778**	**4.61%**	1,355,141,836	5.29%
Other community, social and personal services	**1,072,828,304**	**3.62%**	798,123,964	3.12%
Transportation, storage and communication	**644,794,521**	**2.17%**	661,530,943	2.58%
Manufacturing	**533,664,907**	**1.80%**	514,905,696	2.01%
Construction	**289,946,641**	**0.98%**	332,203,742	1.30%
Accommodation and food service	**258,449,446**	**0.87%**	291,500,154	1.14%
Human health and social service activities	**229,448,320**	**0.77%**	378,621,049	1.48%
Education	**220,208,033**	**0.74%**	143,053,064	0.56%
Private household	**18,613,777**	**0.06%**	108,727,070	0.42%
Financial and insurance activities	**16,329,822**	**0.06%**	26,382,315	0.10%
Electricity, gas and water	**8,577,416**	**0.02%**	11,409,878	0.04%
Mining and quarrying	**1,181,739**	**0.01%**	1,635,647	0.01%
	P 29,666,212,188	**100%**	P 25,615,512,738	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.

(d) Analysis of Loan Portfolio as to Type of Security

The breakdown of receivable from customers, gross of allowance and unearned interests or discounts, as to security are disclosed in Note 9.

As to security, loans are classified into:

	2019	2018 [As Restated – see Note 2.1(b)]
Secured:		
Real estate mortgage	**P 564,479,764**	P 705,347,376
Hold out deposits	**320,530,519**	431,075,858
Others	**991,710,595**	88,916,153
	1,876,720,878	1,225,339,387
Unsecured	**27,789,491,310**	24,390,173,351
	P 29,666,212,188	P25,615,512,738

(e) *Credit Status of Loans*

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

	2019		
	Performing	**Non-performing**	**Total Loan Portfolio**
Gross carrying amount:			
Consumption loans	P22,297,478,362	P 1,924,226,499	P24,221,704,861
Commercial loans	3,905,506,028	553,569,512	4,459,075,540
mSME loans	532,178,698	246,482,067	778,660,765
Microfinance loans	123,581,509	83,189,513	206,771,022
	26,858,744,597	2,807,467,591	29,666,212,188
Allowance for ECL	(366,741,679)	(1,409,865,810)	(1,776,607,489)
Net carrying amount	**P26,492,002,918**	**P 1,397,601,781**	**P27,889,604,699**

	2018 [As restated – see Note 2.1(b)]		
	Performing	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Consumption loans	P19,201,778,160	P 1,452,958,732	P20,654,736,892
Commercial loans	3,252,149,757	351,273,912	3,603,423,669
mSME loans	1,003,461,618	257,372,234	1,260,833,852
Microfinance loans	66,016,849	30,501,476	96,518,325
	23,523,406,384	2,092,106,354	25,615,512,738
Allowance for ECL	(346,907,410)	(1,068,884,862)	(1,415,792,272)
Net carrying amount	P23,176,498,974	P 1,023,221,492	P24,199,720,466

As at December 31, 2019 and 2018, the nonperforming loans (NPLs) not fully covered by allowance for credit losses follow:

	2019	2018
Gross NPLs	**P 2,807,467,591**	P2,092,106,354
NPLs fully covered by allowance for impairment	**(1,409,865,810)**	(1,068,884,862)
	P 1,397,601,781	P1,023,221,492

(f) *Information on Related Party Loans*

In the ordinary course of business, the Bank has loan transactions with each other, their other affiliates, and with certain DOSRI. Under existing policies of the Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Bank and/or any of its lending and nonbank financial subsidiaries. In the aggregate, loans to DOSRIs, generally, should not exceed the total equity or 15% of the total loan portfolio of the Bank. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

	DOSRI Loans		**Related Party Loans (inclusive of DOSRI)**	
	2019	2018	**2019**	2018
Total outstanding loans	**P220,178,865**	P234,418,894	**P221,268,788**	P238,518,894
% of loans to total loan portfolio	**0.8%**	0.9%	**0.7%**	0.9%
% of unsecured loans to total DOSRI/related party loans	**0.0%**	0.0%	**0.0%**	0.0%
% of past due loans to total DOSRI/related party loans	**0.0%**	0.0%	**0.0%**	0.0%
% of non-performing loans to total DOSRI/ related party loans	**0.0%**	0.0%	**0.0%**	0.0%

Secured DOSRI loans are collateralized by hold-out on deposits and are payable within three months to five years.

There were no past due and nonperforming related party loans in 2019 and 2018; hence, no impairment loss on them have been recognized in both years.

(g) *Secured Liabilities and Assets Pledged as Security*

The Bank did not have any secured liabilities nor assets pledged as security as at December 31, 2019 and 2018.

(h) *Contingencies and Commitments Arising from Off-balance Sheet Items*

The Bank did not have any contingencies and commitments arising from off-balance sheet items as of December 31, 2019 and 2018.

27. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

RA No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact to the Bank's financial statements.

28. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

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

(a) GRT

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

In 2019, the Bank reported total gross receipts tax amounting to P466,499,305 as shown under Taxes and Licenses [see Note 28(d)], in which P436,037,346 was paid during the year.

The breakdown of the GRT is shown below.

	Gross Receipts	GRT
Income derived from lending activities	P 9,210,559,704	P 456,351,436
Other income	144,969,554	10,147,869
	P 9,355,529,258	P 466,499,305

(b) DST

The movements in unused DST are summarized below.

Balance at beginning of year	P 18,335,014
Purchased	106,000,000
Affixed	(110,262,998)
Balance at end of year	P 14,072,016

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, P14,688,795 was charged to clients, while P95,574,203 was for the account of the Bank and accordingly charged to profit or loss [see Note 28(d)].

(c) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2019 are shown below.

Final	P 138,233,971
Expanded	136,847,493
Compensation and benefits	46,829,528
	P 321,910,992

(d) Taxes and Licenses

The details of taxes and licenses in 2019 are as follows:

	Notes	
GRT	28(a)	P 466,499,305
DST	28(b)	95,574,203
Local taxes and business permits		23,974,185
Fringe benefits tax		3,263,141
Real property taxes		1,698,189
Miscellaneous		1,287,092
		P 592,296,115

(e) Excise Taxes

The Bank did not have any transactions in 2019 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, 2019.

(g) Deficiency Tax Assessment and Tax Cases

As of December 31, 2019, the Bank does not have any 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.

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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

T +63 2 8988 22 88

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Bank of Makati (A Savings Bank), Inc. for the year ended December 31, 2019, on which we have rendered our report dated May 13, 2020. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Reconciliation of Retained Earnings Available for Dividend Declaration is presented for purposes of additional analysis in compliance with the requirements under the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. 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. 8116541, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0629-AR-4 (until Oct. 7, 2022)
Firm - No. 0002-FR-5 (until Mar. 26, 2021)
BIR AN 08-002511-021-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

May 13, 2020

BANK OF MAKATI (A SAVINGS BANK), INC.
Bank of Makati Building, Ayala Avenue
Metropolitan Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2019

Unappropriated Retained Earnings at Beginning of Year, as restated		
As previously reported	P 4,577,916,083	
Effect of restatement	235,792,710	P 4,813,708,793
Prior Years' Outstanding Reconciling Items, net of tax		
Deferred tax income		(602,885,491)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as adjusted		4,210,823,302
Net Profit Realized During the Year	P 2,670,641,324	
Non-actual/unrealized income		
Share in profit of associate	(216,594,980)	
Deferred tax income	(193,975,224)	2,260,071,120
Other Transactions During the Year		
Dividends declared		(600,000,000)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 5,870,894,422**

OUR NETWORK

METRO MANILA

MAKATI CITY (Main Branch)
Ayala Avenue near corner
Metropolitan Avenue, Makati City
02) 8816-138 / (0920) 971.1069

BACLARAN (Microfinance)
397 Quirino Avenue
Baclaran, Parañaque City
(0920) 971.1053

BLUMENTRITT (Microfinance)
One Albert Place
2557 P. Guevarra Street, corner
Tecson Street, Sta. Cruz, Manila
(02) 3493-5949 / (0920) 971.1056

BUENDIA (Microfinance)
44 Sentor Gil Puyat Avenue
Barangay San Isidro, Makati City
(02) 8886-3696 / (0920) 971.1057

CALOOCAN
Aurelio Bldg. III, 11th Avenue corner
Rizal Avenue Extension
Grace Park, Caloocan City
((02) 8364-9039 / (0949) 883.2180

CAMARIN (Microfinance)
Blk. 2 Lot 20 Almar Subdivision
Caloocan City
(02) 8294-1768 / (0949) 883.1497

COMMONWEALTH (Microfinance)
Unit 3 & 4 Mount Sinai Heights Building
71-B Commonwealth Avenue
East Fairview, Quezon City
(0920) 971.1059

CUBAO - P. TUAZON (Microfinance)
Metrolane Complex
P. Tuazon Boulevard corner 20th Avenue
Cubao, Quezon City
(02) 3438-3303 / (0920) 971.1060

GRACE PARK
VSP Condominium
1607-C Rizal Avenue Extension
Grace Park, Caloocan City
(02) 8288-3206 / (0949) 883.1496

GREENHILLS (Microfinance)
Medecor Bldg. 222 Ortigas Avenue
Greenhills, San Juan City
8997-3944 / (0917) 834.7225

GUADALUPE (Microfinance)
Unit MFA 8, G/F, Guadalupe
Commercial Center, Guadalupe
Makati City
(02) 8478-3403 / (0949) 883.1503

KALENTONG (Microfinance)
576 New Panaderos Street
Barangay Pag-asa, Mandaluyong City
((02) 8477-2568 / (0949) 883.1435

LAS PIÑAS
Unit 3, Star Arcade, CV Starr Avenue
Philamlife Village, Pamplona 2
Las Piñas City
(02) 8877-8129 / (0920) 971.1067

MAKATI - EVANGELISTA (Microfinance)
NSR Building, 1837 Evangelista Street
corner Dallas Street, Barangay Pio del Pilar
Makati City
(02) 8845-1201 / (0920) 971.1064

MUNTINLUPA
Presnedi Building
305 National Road,Putatan
Muntinlupa
(02) 8777-3098 / (0920) 971.1072

PASAY - LIBERTAD (Microfinance)
Liberty Commercial Complex
Libertad Street corner F.B. Harrison Street
Pasay City
(02) 8804-2696/ (0917) 835.1988

PASIG - RAYMUNDO (Microfinance)
G/F JG Building
C. Raymundo Avenue, Barangay Rosario
Pasig City
(02) 8650-2970/ (0920) 971.1076

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

ROOSEVELT (Microfinance)
336 Roosevelt Avenue
Quezon City
(02) 3415 1732 / (0920) 971.1078

VALENZUELA
238 McArthur Highway
Karuhatan, Valenzuela City
(02) 285-0670 / 283.7175

LUZON

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

BALIUAG
Benigno S. Aquino Avenue
Poblacion, Baliuag, Bulacan
(044) 798-8281 / (0920) 971.1054

BATAAN
G/F L&R Building
Don Manuel Banzon Avenue
Balanga City, Bataan
(047) 237-6625 / (0949) 883.1433

BATANGAS
Unit 4, Mayvel Center
Pallocan Avenue, Pallocan West
Batangas City
(043) 702-2384 / (0920) 971.1055

BIÑAN
A. Bonifacio Street
Biñan, Laguna
(049) 511.9299 / (0949) 883.1495

CABANATUAN
333 B-3 Burgos Street
Sangitan, Cabanatuan City
Nueva Ecija
(044) 463.3967 / (0949) 883.1500

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

DAET
TPI Building, Vinzons Avenue
Barangay IV, Mantagbac
Daet, Camarines Sur
(054) 887.9997 / (0920) 971.1061

DAGUPAN
One Grande Building, Arellano Street
Dagupan City
(075) 522.5072 / (0920) 971.1062

DASMARIÑAS
B55 L7 Golden Miles Molino
Paliparan Road, Barangay Salawag
Dasmariñas City, Cavite
(046) 438 1863 / (0949) 883.1507

LAOAG
Enrico's Building
General Luna Avenue corner General Siazon
Road
Laoag City, Ilocos Norte
(077) 771.5385 / (0949) 883.1438

LA UNION
Nera Building, Quezon Avenue
San Fernando, La Union
(072) 687.1519 / (0949) 883.1436

LEGAZPI
Imperial Shopping Plaza
Los Baños Avenue, Capantawan
Legazpi City, Albay
(0949) 883.1439

LIPA
C.M. Recto Avenue (in front of Cathedral)
Barangay 9, Lipa City
Batangas
(043) 756.3481 / (0949) 883.2181

LUCENA
G/F Emperor Building
Merchan Street corner Evangelista Street
Lucena City
(042) 710.9168 / (0920) 971.1068

MALOLOS
Lot 698-A. Paseo Del Congreso Road
Malolos City, Bulacan
(044) 791.7513 / (0920) 971.1070

MARCOS HIGHWAY
Units 3 & 4 Park Place Building
Marcos Highway corner Vermont Park Main
Gate
Barangay Mayamot, Antipolo City
(02) 212.2521 / (0920) 971.1071

MARIKINA
19 Bayan-Bayanan Avenue
Concepcion I, Marikina City
(02) 721.8238 / (0949) 883.1505

MEYCAUAYAN
G/F Mancon Building
MacArthur Highway Barangay Calvario
Meycauyan City, Bulacan
(044) 769.6064 / (0917) 834.8281

NAGA
89 Elias Angeles Street
Naga City, Camarines Sur
(054) 473.9898 / (0917) 835.0123

PAMPANGA
Diamond Building
MacArthur Highway
Dolores San Fernando, Pampanga
(045) 961.1354 / (0920) 971.1075

PUERTO PRINCESA
Prime One Properties Building
Km.1 National Highway Barangay
San Miguel Puerto Prinsesa City, Palawan
(048) 434.2052 / (0949) 883.1442

RODRIGUEZ
137 Rodriguez Highway
Manggahan, Rodriguez Rizal
(02) 8470.3581 / (0920) 9711077

SAN PABLO
52 Colago Avenue, Barangay VI-E
San Pablo City, Laguna
(049) 562.0646 / (0933) 828.5136

SANTIAGO
Villarica Building
Purok 4 City Road corner Quezon Street
Centro West, Santiago City
(078) 305.2082 / (0917) 835.3237

TARLAC
1048 F. Tañedo Street
San Nicolas,Tarlac City
Tarlac
(045) 982.1404 / (0920) 971.1079

TUGUEGARAO
Rizal corner Gomez Street
Tuguegarao City, Cagayan
(078) 844.8577 / (0949) 883.1506

URDANETA
National Highway, Nancayasan
Urdaneta City, Pangasinan
(075) 653.0847 / (0949) 883.1443

VISAYAS

VIGAN
VQR Building
Quezon Avenue corner Mabini Street
Vigan, Ilocos Sur
(077) 632.0911 / (0922) 876.6018

ZAPOTE
Addio Building
Aguinaldo Highway
Talaba Bacoor, Cavite
(046) 417.7527 / (0920) 971.1080

BACOLOD
Sun-in Building
Lacson Street
Bacolod City, Negros Occidental
(034) 434.9411 / (0949) 883.1431

CEBU
S & L Tanchan Building
51 Colon Street
Parian, Cebu City
(032) 255.6982 / (0949) 883.1434

ILOILO
John Tan Building
Iznart Street, Iloilo City
Iloilo
(033) 335.8853 / (0920) 971.1066

TACLOBAN
Oscar Dy Building
Real Street, Sagkahan District
Tacloban City, Leyte
(053) 832.3064 / (0945) 536.3556

MINDANAO

BUTUAN
Lucibenino Building, JC Aquino Avenue
Butuan City, Agusan Del Norte
(085) 225.0406 / (0920) 971.1058

CAGAYAN DE ORO
J.V. Serena Street corner Vamenta Boulevard
Carmen, Cagayan De Oro City
Misamis Oriental
(088) 233.2159 / (0949) 883.1498

DAVAO
CV REALTY Building, Quimpo Boulevard,
Ecoland, Matina, Davao City
(082) 285.2608 / (0920) 971.1063

GENERAL SANTOS
RD Building, Santiago Boulevard
General Santos City, South Cotabato
(083) 552.0876 / (0920) 971.1065

PAGADIAN
ZMS Building, Rizal Avenue
Pagadian City, Zamboanga Del Sur
(062) 925.2879 / (0920) 971.1073

TAGUM
Cacayorin Building
Circumferential Road New Public Market
Tagum City, Davao
(084) 216.3219 / (0917) 836.0676

VALENCIA
Larstel Building 2
1924 Fortich Street, Lavina Avenue
Barangay Poblacion, Valencia City, Bukidnon
(088) 828.5294 / (0917) 836.3996

ZAMBOANGA
G/F RHW Building
Mayor Jaldon Street, Barangay Cañelar
Zamboanga City, Zamboanga Del Sur
(062) 955.0655 / (0917) 836.3340

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

TOWARDS STRONGER FUTURE

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www.bankofmakati.com.ph

Supervised by
BANGKO SENTRAL NG PILIPINAS
(02) 708.7087
consumeraffairs@bsp.gov.ph

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