

DIRETS6 ASENSO

ANNUAL REPORT 2016



Established as the
Rural Bank of Makati
1956

Changed ownership
and management
with a new vision for
the bank

2001

Officially changed
its name to
Bank of Makati

2005

Became part of the
Top 1,000 Corporations
in the Philippines and the
biggest rural bank in the
country, with total assets
of over Pnp 5 Billion and net
worth of over 800 Million

2006

Underwent rebranding
with a dynamic new
logo and slogan

2009

Became an allied
member of the
Bancnet Consortium

2013

Upgraded its core
banking system to
Finacle

2014

Officially became a
savings bank by the
Bangko Sentral ng
Pilipinas

2015


Expanded its banking
network to over 60
branches nationwide

2016

New Head Office
at Ayala Avenue

2017

Malalapitan, Maaasahang Kaibigan.



In 2016, Bank of Makati (A Savings Bank), Inc. (BMI) marked its 60th anniversary. BMI opened to the public as a rural bank in 1956. However, its unprecedented growth started in 2001 when the Ongtenco Group bought the then one-branch bank. It has since grown and in 2015, became a savings bank.

On our 60th year, BMI continued to show strong financial performance, placing us in a better position to empower our mSMEs to become significant contributors to our national economy. In this annual report, we share the success stories of seven microentrepreneurs who have benefitted from our quest to realize our vision of being the mSME bank of choice.

For 2017 and beyond, BMI aims for bigger and loftier goals. As BMI enters a new milestone in our history, we affirm our commitment to be a supportive bank of mSMEs.

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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.

We exist to help more people attain better financial security.

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

We are dedicated to the continuing growth of the Bank.

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

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

In pursuit of our mission, we shall be guided by the values of teamwork, integrity, concern and excellence.

OUR
VISION

OUR
MISSION



Chairman's message

In the year 2016, the Philippine economy remained a strong performer in the region, despite slow global growth. Gross Domestic Product (GDP) registered 6.8% growth for the entire year. Gross National Income (GNI) accelerated by 6.6%, maintaining a growth in Net Primary Income (NPI) at 5.3% on a yearly basis. Upbeat growth was partly driven by election-related spending. Fixed Capital Investment rose 25.6%. A boom in (public) construction, manufacturing and service sectors was seen. The healthy economic performance in the 4th quarter of 2016 was carried over into 2017.

We expect the economy in 2017 to continue to perform strongly, despite a slight deceleration from depleting election spending.

With solid macroeconomic fundamentals in the country, Bank of Makati (A Savings Bank), Inc. continues to aim to propel its growth to higher levels. Net income grew by 64% to P645 million from P393 million in 2015, owing to an 8% hike in the net interest income from P3.82 billion to P4.13 billion. The Bank's total Loan Portfolio expanded by 7% to P19.59 billion from P18.29 billion. Total network of the Bank inched up by almost 3.4% to P6.35 billion from P6.14 billion. For 2017, we aim to improve further our profitability, and asset and capital growth.

BMI has started to embark and will continue to aggressively pursue its thrust of becoming the mSME bank of choice. We will strengthen our presence throughout the country to reach out in servicing both our targeted markets and to give our share in the financial empowerment of the unbanked or underbanked market niche.

My heartfelt appreciation and gratitude to the BMI family, our Board of Directors and stockholders for your committed efforts to uphold the aspirations and direction that BMI aims to pursue. Thru professionalism and excellence, dedication and perseverance, as well as synergies and teamwork, BMI will achieve its purpose...its MISSION and VISION.


THOMAS C. ONGTENCO
Chairman

president's report

From being the number one rural bank in the country, Bank of Makati (A Savings Bank), Inc., upgraded to a savings bank as part of its long-term strategic direction. BMI's vision is 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—the mSMEs—we adopted as our tagline, MALALAPITAN, MAAASAHANG KAIBIGAN.

To serve mSMEs, we adopted a customer care program and philosophy that address their needs. Specifically, the experience that BMI wants our customers to feel is that "BMI cares". And this we deliver through friendly, responsive and personalized service.

The banking industry is a very competitive one. Technology is one of the main drivers of growth. BMI adopts a three-pronged strategy to improve its competitiveness. First, we acquired a Core Banking System that is robust, flexible, scalable, and which could interface with any future front-end or back-end system requirements. Second, we became a member of Bancnet and use it to offer more services to our clients. Third, we collaborated with Fintech, which allows us to promote cost and service efficiencies, engage regulators on the emerging digital landscape, and empower our consumers via frictionless experiences, leveraging the popularity of mobile technology. The Fintech collaboration is an important strategy because our target market requires products and services that are accessible, affordable and easy to use.

The level of technology as seen and experienced by the public is a function of the backroom that supports the frontliners. Towards this end, we continuously level up the skills and competence of our people through continuous training, such as Management Training Program, Training the Trainers (BMI Subject Matter Experts) and Customer Service seminars.

The times call for institutions to prepare for any disaster. BMI is compliant with government requirements on fire fighting and fire safety evacuation, earthquake drills and readiness of our disaster recovery site and system.

In 2016, BMI put in place several systems that will put us on par with our competitors. We have an automated credit investigation system that uses android phones to better serve our borrowing public. For our depositors, we are 100% compliant with guidelines on the new check clearing system (CICS). Our ATM Card is EMV compliant. In 2017, we plan to offer a proprietary cash card for the convenience of both our depositors and borrowers. In addition to front-end systems, we successfully implemented our systems in Human Resource Information, Data Analytics, Fixed Assets Inventory, and Outgoing Documents Tracking, among others; all part of the plan to ensure that behind the frontline is an efficient support system. Our audit, compliance and risk management systems have been further enhanced with tools, training, systems, and manpower complement as a testament to our commitment to good corporate governance and controlled-risk environment.

Our greatest pride is our people who have always unselfishly dedicated their work to the betterment of the institution. They are guided by our hardworking and capable Board of Directors who handhold us to deliver the best service to our clients and financial results that show BMI as a formidable player in the savings bank industry, particularly in the independent category (not affiliate of universal bank).

To all our stakeholders, we convey our outmost GRATITUDE. All aboard to BMI 2017 and beyond, a new milestone in our history!


MA. RODORA E. BAÑAREZ
President





Ma. Leonida Sanchez was four years into her fried chicken business in Talavera, Nueva Ecija, when Typhoons Lando and Nona hit Luzon in October and December 2015, respectively. The powerful typhoons, which caused combined damage worth more than US\$350 million, dealt a severe blow to Ma. Leonida's livelihood. "Akala ko babagsak na ang negosyo ko nun, kasi wala kaming makuhang supply. Lahat ng mga manok sa mga planta nabulok kasi ilang linggong walang kuryente," she said.

The unexpected downturn in her business left Ma. Leonida without any income for weeks, which also made it difficult for her to meet her financial obligations. One of these was a Power Negosyo Loan 300, which she secured from Bank of Makati (BMI) six months earlier. "Medyo nadelay kami ng hulog sa loan pero pinilit namin mai-update ang payment namin."

Through perseverance, she was able to complete her loan payments. She decided to apply for renewal so she could diversify her business. "Binigyan muli ako ng BMI ng pagkakataon na makapag-renew ng loan sa kanila. Ginamit ko iyon para makapagbukas ng panibagong produkto. Nagsimula na ako gumawa ng mga itlog na pula at balot. Nang sa ganun mayroon akong ibang pagkukunan ng kita kung sakali mang may mangyari ulit na hindi inaasahan."

Ma. Leonida was able to turn her business around because she had access to BMI's affordable financing. Her story is one of many among micro, small and medium enterprises (mSMEs) in the country, who have also benefitted from Power Negosyo Loan 300.

No collateral needed

Power Negosyo Loan 300 is offered by BMI through its more than 60 branches nationwide. Launched in 2014, it was designed to address the lack of affordable financing available to mSMEs in the Philippines. The concept was to make it easy for mSMEs to secure a non-collateral, low-interest loan ranging from P150,001 to P300,000 through straightforward, no-frills and personalized service.

mSMEs comprise more than 90 percent of registered businesses in the country, yet most do not avail of institutional financing because they do not have the large collateral requirements of many lending institutions; nor can they meet the stringent criteria and required documentation. As a result, many simply borrow from suppliers or informal lenders.

Such was the case of **Athena Z. Ambat** of Poblacion, Puerto Galera, Oriental Mindoro. She has been running a meat stall at the Puerto Galera Public Market for 19 years, supplying resorts and restaurants in the area.

"Madalas nangungutang ako sa supplier kasi napakalaki ng kailangang capital ng business. Kapag nakabenta ako, tsaka ko sila babayaran. Pero meron ding suppliers na hindi nagpapa-utang kaya sa '5-6' ako kumukuha. Pero napakalaki ng interest...araw-araw kailangan kong magbayad. Hindi ko na napapaikot ang pera. Kapag hindi naman ako nangutang, wala akong pambayad sa mga supplier ko, magkukulang ang supply ko, hindi ko ma-sustain ang operation ko. Kailangan ko ng additional capital kasi isang baka o kalabaw lang worth P40-50K na. Sa isang araw hanggang 5 baboy pa ang nadidispone ko, worth 8K isa. Masyadong malaki ang puhunan para sa mga livestock."

She applied for a Power Negosyo Loan 300 in 2014. The non-collateral requirement and low interest rate has enabled her to stop borrowing money from her suppliers and from '5-6' lenders, and even to grow her business.

Magandang loan facility ito kasi hindi na kailangan ng collateral. Convenient para sa amin. Maganda rin ang term kasi pwedeng bayaran hanggang 2 years. Kaya mapapaikot mo talaga ang nautang mo bilang puhunan para kumita ng mas malaki. Katunayan, nakakuha ako ng additional stall para sa vegetable at ilang grocery items. Nadagdagan ang paninda ko. Lumaki ang negosyo ko," Athena said

Easy Terms, Personalized Service

The non-collateral nature of BMI's Power Negosyo Loan 300 and the low interest rates also encouraged **Keende Rolluqui** to apply for the loan. For the past 10 years, Keende has been operating five stalls selling dried fish and eggs at the Cogon Market, Cagayan de Oro City

"Malaki ang naitulong ng BMI sa aking negosyo, dahil malaki po ang na-save ko sa income. Naglo-loan kasi ako sa isang lender na 10% ang interest at daily ang collection. Sa BMI, 1.5% lang at ang collection kada buwan," she said. "Dahil dito, nagkaroon na ako ng saktong revolving fund sa business ko".



Nelson Lumague, a rolling store vendor of condiments from Pinanggaan, Jaen, Nueva Ecija, applied for the loan twice – once in April 2016 and then again in December 2016, to build his capital and to purchase a delivery truck.

"Naalala namin, nabanggit ni [Account Officer] Ma'am Jaycell na kapag nakapangalahati na kami [magbayad], pwede na namin irenew yung loan ng walang ilalabas na pera. Kaya ayun, nag-apply ulit kami nung December 2016 at na-release yung P300K noong January 2017...na pinangdagdag namin sa pambili ng truck," he said.

Nelson added, "Yung area ko dati na lima sa Nueva Ecija, ngayon nadagdagan pa ko ng tatlong area. Nakaka-deliver na ako ng tinda ko hanggang Pampanga, Tarlac at Bulacan. Kaya laking pasalamat ako talaga sa Bank of Makati."

Similarly, Rommel has grown his junkshop business exponentially with his four previous availments. He has purchased a parcel of lot in Calawang, Calapan City, which serves as his warehouse, and he is now applying for his fifth re-availment.

"Wayback in 2014, our monthly gross sales were just around P600K. I believe that because of the money BMI have lent us through the years, we're now generating around P2.0MM in sales," he said.

In the past three years, BMI's Power Negosyo Loan 300 has grown to 4,000 accounts, valued at P1.1 billion. With this trend, BMI is optimistic that it would soon achieve its vision to be the mSME bank of choice through its "Diretso.Asenso." brand of service.

"For **Rommel Fabian** of Lumangbayan, Calapan City, Oriental Mindoro, Power Negosyo Loan 300 enabled him to secure much-needed revolving funds to grow his junkyard business. "Since our business requires a huge capital, we have a hard time when there is a lot of scrap material being offered to us but we're running out of purchasing cash," he said.

"We tried to apply for financing but we were rejected many times as all banks and other financial institutions require collateral. That's why when we were offered this loan, we immediately applied for it. The P300K has been of great help to sustain our operation and to earn more."

Many Power Negosyo Loan clients also appreciate that BMI account officers go out of their way to service busy and remote customers. **Reymundo Agon** and his wife, **Estrella**, from Masipit, Calapan City, Oriental Mindoro, had their hands full supplying egg and oil to most public markets in Calapan to Roxas. At the same time, they were having their house constructed, and were starting to venture into retailing sugar to sari-sari store and public market customers.

Applying for the Power Negosyo Loan 300 was painless because the couple received personalized service from Jolina, their AO in BMI Calapan City. "The good thing is we didn't have to go to the [branch] to comply with the requirements as your AO would always take time to drop and pick up the documents at our store. We only go to [the] branch on the day of release," said Reymundo.

For Reymundo, loan application was smooth and quick because they had their business documents in order. "Yung ibang requirements naman na wala kami, ina-assist naman kami ni (Account Officer) Jaycell kung paano ang gagawin o paano kuhanin."

Easy re-availment

Many BMI clients who have been able to improve their business with the help of Power Negosyo Loan 300 have re-availed of the loan – some, several times over – to expand or diversify their services or products.

Exodus E. Galang of Cabanatuan City, Nueva Ecija, expanded his water refilling station franchise to three branches, purchased delivery vehicles and upgraded equipment through three availments of the Power Negosyo Loan 300 from January 2014 to February 2017.

diretso
Asenso

EMPOWERING THE PINOY mSME

FINANCIAL HIGHLIGHTS



As of the year ended (in thousands)	2016	2015	2014
Total Resources	28,189,691	27,875,598	26,259,195
Total Loans and Receivables - net	19,593,432	18,292,324	18,912,386
Total Deposit Liabilities	20,746,232	20,648,909	19,415,649
Total Equity	6,350,629	6,138,764	5,805,760