

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**


The management of **BDO Finance Corporation** (the Company), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, 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.

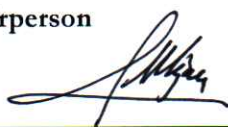
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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


The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signature:   
TERESITA T. SY  
Chairperson

Signature:   
JOHN EMMANUEL M. LIZARES  
President

Signature:   
LUIS S. REYES JR.  
Treasurer

Signed this 3<sup>rd</sup> day of April 2024.

SUBSCRIBED and SWORN to me before this \_\_\_\_\_ day of APR 24 2024, 2024 affiant exhibiting to me his/her Social Security Number, as follow:

**NAMES**

Teresita T. Sy  
John Emmanuel M. Lizares  
Luis S. Reyes Jr.

**SSS NUMBER**



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Book No: XI  
Series of: WM

  
ATTY. MICHAEL IAN F. RODULFO  
Notary Public for Mandaluyong City  
Appointment No. 1468-24 / Until December 31, 2025  
PTR NO. 5421897; 12-14-23; Mandaluyong City  
IBP 385467; 10-31-23; Quezon City  
Roll No. 60508 / MCLE Compliance No. VII-0014851 / Issued April 5, 2022



## Report of Independent Auditors

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**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors**  
**BDO Finance Corporation**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
12 ADB Avenue, Ortigas Center  
Mandaluyong City

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of BDO Finance Corporation (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and 2022, and its financial performance and its cash flows for the period 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 Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 19 to the financial statements, the Company presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations (RR) No. 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to financial statements. Such supplementary information is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is also not a required disclosure under Revised Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission.

### **PUNONGBAYAN & ARAULLO**



By: **Yusoph A. Maute**  
Partner

CPA Reg. No. 0140306  
TIN 415-417-641  
PTR No. 10076145, January 3, 2024, Makati City  
SEC Group A Accreditation  
Partner - No. 140306-SEC (until financial period 2026)  
Firm - No. 0002 (until financial period 2024)  
BIR AN 08-002551-046-2023 (until Jan. 24, 2026)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 3, 2024

## Supplemental Statement of Independent Auditors

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**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors**  
**BDO Finance Corporation**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
12 ADB Avenue, Ortigas Center  
Mandaluyong City

We have audited the financial statements of BDO Finance Corporation (the Company) for the year ended December 31, 2023, on which we have rendered the attached report dated April 3, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has only one stockholder owning 100 or more shares of the Company's capital stock as at December 31, 2023, as disclosed in Note 15 to the financial statements.

### **PUNONGBAYAN & ARAULLO**



By: **Yusoph A. Maute**  
Partner

CPA Reg. No. 0140306  
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April 3, 2024

**BDO FINANCE CORPORATION**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>			
CASH IN BANKS	6	P 105,636,659	P 74,367,902
LOANS AND OTHER RECEIVABLES - Net	7	8,308,809,017	6,729,355,477
INVESTMENT IN A SUBSIDIARY	8	544,154,431	465,983,266
PROPERTY AND EQUIPMENT - Net	9	15,094,548	31,397,096
INVESTMENT PROPERTIES - Net	10	161,267,255	127,146,741
OTHER ASSETS - Net	11	<u>102,661,982</u>	<u>63,330,396</u>
<b>TOTAL ASSETS</b>		<b><u>P 9,237,623,892</u></b>	<b><u>P 7,491,580,878</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
BILLS PAYABLE	12	P 5,801,817,821	P 5,052,834,790
ACCOUNTS PAYABLE AND OTHER LIABILITIES	13	537,014,899	210,536,536
LEASE DEPOSITS	14	1,331,808,687	832,847,425
INCOME TAX PAYABLE		<u>8,022,118</u>	<u>18,103,146</u>
Total Liabilities		<u>7,678,663,525</u>	<u>6,114,321,897</u>
CAPITAL STOCK	15	1,000,000,000	1,000,000,000
NET ACCUMULATED ACTUARIAL LOSSES		( 48,370,559 )	( 70,859,139 )
RETAINED EARNINGS	15	<u>607,330,926</u>	<u>448,118,120</u>
Total Equity		<u>1,558,960,367</u>	<u>1,377,258,981</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>P 9,237,623,892</u></b>	<b><u>P 7,491,580,878</u></b>

*See Notes to Financial Statements.*

**BDO FINANCE CORPORATION**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
**STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
<b>REVENUES AND INCOME</b>			
Interest and discounts	6, 7, 17, 18	<b>P 696,182,845</b>	P 629,963,188
Equity share in net earnings of a subsidiary	8	<b>78,171,165</b>	52,669,974
Gain from sale of receivables	7, 18	-	73,669,015
Other income - net	16	<b>42,464,437</b>	63,325,639
		<b><u>816,818,447</u></b>	<u>819,627,816</u>
<b>OPERATING COSTS AND EXPENSES</b>			
Interest and financing charges	7, 12, 13, 14	<b>306,028,383</b>	147,080,844
Employee benefits	17	<b>148,032,746</b>	152,953,244
Taxes and licenses	19	<b>69,333,365</b>	81,208,871
Occupancy and equipment-related expenses	9, 10, 11	<b>40,339,527</b>	31,616,372
Service fees	18	<b>17,887,663</b>	16,876,440
Litigation expense		<b>12,208,461</b>	20,378,064
Representation and entertainment		<b>10,039,519</b>	10,071,079
Commissions		<b>4,982,353</b>	7,725,291
Impairment loss on financial assets	6, 7	<b>304,419</b>	17,738,032
Impairment loss on investment property	10	<b>27,008</b>	1,747,516
Miscellaneous	18	<b>25,557,402</b>	24,385,354
		<b><u>634,740,846</u></b>	<u>511,781,107</u>
<b>PROFIT BEFORE TAX</b>		<b>182,077,601</b>	307,846,709
<b>TAX EXPENSE</b>	19	<b><u>22,864,795</u></b>	<u>69,703,947</u>
<b>NET PROFIT</b>		<b><u><u>P 159,212,806</u></u></b>	<b><u><u>P 238,142,762</u></u></b>

*See Notes to Financial Statements.*



**BDO FINANCE CORPORATION**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	Notes	2023	2022
<b>NET PROFIT</b>		<b><u>P 159,212,806</u></b>	<b><u>P 238,142,762</u></b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurements of post-employment defined benefit plan	17	29,984,773	( 2,004,304 )
Tax income (expense)	19	<u>( 7,496,193 )</u>	<u>501,075</u>
		<u>22,488,580</u>	<u>( 1,503,229 )</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>P 181,701,386</u></b>	<b><u>P 236,639,533</u></b>

*See Notes to Financial Statements.*

**BDO FINANCE CORPORATION**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	Capital Stock (Note 15)	Net Accumulated Actuarial Losses (Notes 17 and 19)	Retained Earnings		Total	Total Equity
			Unappropriated	Appropriated		
Balance at January 1, 2023	P 1,000,000,000	( P 70,859,139 )	P 448,118,120	P -	P 448,118,120	P 1,377,258,981
Appropriation of Retained Earnings	-	-	( 42,270,434 )	42,270,434	-	-
Total comprehensive income for the year	-	22,488,580	159,212,806	-	159,212,806	181,701,386
Balance at December 31, 2023	<b><u>P 1,000,000,000</u></b>	<b><u>( P 48,370,559 )</u></b>	<b><u>P 565,060,492</u></b>	<b><u>P 42,270,434</u></b>	<b><u>P 607,330,926</u></b>	<b><u>P 1,558,960,367</u></b>
Balance at January 1, 2022	P 1,000,000,000	( P 69,355,910 )	P 209,975,358	P -	P 209,975,358	P 1,140,619,448
Total comprehensive income (loss) for the year	-	( 1,503,229 )	238,142,762	-	238,142,762	236,639,533
Balance at December 31, 2022	<b><u>P 1,000,000,000</u></b>	<b><u>( P 70,859,139 )</u></b>	<b><u>P 448,118,120</u></b>	<b><u>P -</u></b>	<b><u>P 448,118,120</u></b>	<b><u>P 1,377,258,981</u></b>

*See Notes to Financial Statements.*

**BDO FINANCE CORPORATION**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**  
*(Amounts in Philippine Pesos)*

	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		P 182,077,601	P 307,846,709
Adjustments for:			
Interest and discounts	6, 7, 17, 18	( 696,182,845 )	( 629,963,188 )
Interest received		688,892,178	635,762,385
Interest and financing charges	7, 12, 13, 14	306,028,383	147,080,844
Interest and financing charges paid		( 285,971,164 )	( 110,382,687 )
Equity share in net earnings of a subsidiary	8	( 78,171,165 )	( 52,669,974 )
Depreciation and amortization	9, 10, 11	33,584,734	19,256,216
Loss (gain) on sale of property and equipment, investment properties and other assets	9, 10	( 1,970,116 )	265,059
Gain on pretermination of lease	13, 16, 18	( 1,045,595 )	-
Impairment losses on financial assets	6, 7	304,419	17,738,032
Impairment losses on investment properties	10	27,008	1,747,516
Impairment losses on non-current assets held for sale		-	194,526
Day-one gains		( 42,287 )	( 98,547 )
Operating profit before changes in operating assets and liabilities		147,531,151	336,776,891
Decrease (increase) in loans and other receivables		( 1,647,992,432 )	592,360,780
Increase in other assets		( 9,228,435 )	( 3,410,848 )
Increase (decrease) in accounts payable and other liabilities		342,529,497	( 75,960,176 )
Increase in lease deposits		498,953,494	352,274,149
Cash generated from (used in) operations		( 668,206,725 )	1,202,040,796
Cash paid for income and final taxes		( 33,089,089 )	( 69,661,476 )
Net Cash From (Used In) Operating Activities		( 701,295,814 )	1,132,379,320
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of investment properties	10	4,763,239	-
Acquisitions of intangible assets	11	( 4,215,615 )	( 500,776 )
Acquisitions of property and equipment	9	( 114,000 )	( 370,842 )
Proceeds from disposal of property and equipment	9	29,014	39,477
Proceeds from disposal of non-current assets held for sale		-	1,013,880
Net Cash From Investing Activities		462,638	181,739
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments of bills payable	12	17,323,955,173	19,888,100,000
Payments of bills payable	12	( 16,582,755,173 )	( 21,021,281,168 )
Payments on lease liabilities	13	( 9,098,067 )	( 11,193,675 )
Net Cash From (Used In) Financing Activities		732,101,933	( 1,144,374,843 )
<b>NET INCREASE (DECREASE) IN CASH IN BANKS</b>		<b>31,268,757</b>	<b>( 11,813,784 )</b>
<b>CASH IN BANKS AT BEGINNING OF YEAR</b>		<b>74,367,902</b>	<b>86,181,686</b>
<b>CASH IN BANKS AT END OF YEAR</b>		<b>P 105,636,659</b>	<b>P 74,367,902</b>

**Supplemental Information on Non-cash Investing and Financing Activities:**

1. In 2023 and 2022, the Company foreclosed certain properties from its customers which were recognized as additions to Investment properties amounting to P57,479,818 and P103,624,758, respectively (see Note 10).
2. In 2023, the Company recognized right-of-use assets and lease liabilities both amounting to P15,947,308 due to amendment of lease agreements entered by the Company as a lessee. In 2023, the Company also pre-terminated certain lease agreements amounting to P22,731,566 for right-of-use assets and P23,777,160 for lease liabilities (see Notes 9 and 13) resulting to a gain on pretermination amounting to P1,045,595. There was no similar transaction in 2022.

*See Notes to Financial Statements.*