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**MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING OF  
BDO NETWORK BANK, INC.  
HELD AT THE BDONB CENTER, KM. 9, SASA, DAVAO CITY  
ON APRIL 29, 2023 AT 11:00 A.M.**  
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<b>Attendance – Number of Shares held by common shareholders:</b>	<b>- 483,787,424 shares</b>
<b>Present in Person or Represented by Proxy</b>	<b>- 2</b>
<b>Number of Total Outstanding Shares Common</b>	<b>- 490,035,200</b>
<b>Percentage of the Total Common Shares Represented by Proxies and in Person</b>	<b>- 98.7 %</b>
<b>No. of the Total Preferred Shares Represented by Proxies</b>	<b>- 0 shares</b>

**Incumbent Directors and Advisor Present:**

*Attended in person:*

Mr. Nestor V. Tan	Chairman
Mr. Jesus Antonio S. Itchon	Vice Chairman & President
Ms. Geneva T. Gloria	Director
Mr. Jovasky Wei Shen Pang	Director
Mr. Jaime C. Yu	Director
Ms. Evelyn Cristina A. Cam	Independent Director

*Attended via virtual meeting:*

Mr. Rolando C. Tanchanco	Director
Ms. Ma. Leonora V. de Jesus	Independent Director

**Also Present:**

*Attended in person:*

Ms. Teresita T. Sy-Coson	Advisor to the Board
Atty. Joseph Jason M. Natividad	Corporate Secretary
Atty. Ma. Cecilia S. Santos	Assistant Corporate Secretary
Mr. Alberto A. Quiogue	Head – Salary Loans Group
Mr. Jaime A. Talingdan	Head- CBNG
Mr. Garry L. Martinez	Head- Corporate Planning Section
Ms. Emily G. Gamir	Head- Operations Group
Mr. Rogelio C. Basco	Business Development Officer
Ms. Milott B. Requillo	Chief Compliance Officer, Head- Legal & Compliance
Ms. Minda A. Lim	Head- Treasury Group
Ms. Niezl D. Gilvero	Head- Comptrollership
Ms. Ma. Jinsel C. Tocmo	Chief Risk Officer
Ms. Stephanie M. Santoalla-Claros	Corporate Secretariat Admin. Officer

**I. CALL TO ORDER**

The meeting was called to order by the Chairman of the Meeting (“Chairman”), Mr. Nestor V. Tan at about 11:00 a.M.

## **II. PROOF OF NOTICE AND DETERMINATION OF EXISTENCE OF QUORUM**

The Chairman called on the Corporate Secretary, Atty. Joseph Jason M. Natividad, to certify on the posting and publication of the notice to the meeting and the existence of a quorum. The Corporate Secretary certified that in compliance with the rules issued by the Securities and Exchange Commission (SEC), the notice of the meeting, the Definitive Information Statement (DIS), along with the Bank's "Guidelines for Participation via Remote Communication and Voting in Absentia", were uploaded and posted on the Bank's website beginning on April 04, 2022. The Corporate Secretary likewise certified that the requirements under Section 10 of SEC Memorandum Circular No. 6, Series of 2020 had been complied with.

The Notice was also published in the business sections of Business World and Philippine Star, in print and online format, on March 13 and March 14, 2023, respectively.

The Corporate Secretary certified that based on the record of remote registration, the stockholders who are participating in this meeting, virtually and by proxy, represent 483,787,424 shares, constituting **98.72%** of the total outstanding capital stock of the Bank as of record date, March 15, 2023. Therefore, the Corporate Secretary certified that a quorum is present for the valid transaction of business by the stockholders.

For purposes of the meeting, Punongbayan & Araullo, Grant Thornton ("Punongbayan & Araullo") was appointed to tabulate all votes in accordance with the voting procedures provided in the Bank's Definitive Information Statement.

## **III. READING AND APPROVAL OF THE MINUTES OF THE LAST ANNUAL STOCKHOLDERS' MEETING HELD ON APRIL 29, 2022 AND SPECIAL STOCKHOLDERS' MEETING HELD ON OCTOBER 05, 2022**

The first business item on the Agenda is the approval of the minutes of the Annual Shareholders' Meeting held on April 29, 2022, and Special Stockholders' Meeting held on October 05, 2022. The Chairman reminded everybody that a copy of the Minutes of the annual stockholders' meeting and special stockholders meeting were posted on the Bank's website <[www.bdonetworkbank.com.ph](http://www.bdonetworkbank.com.ph)> and available to the shareholders for viewing.

The minutes reflect the proceedings of the last meeting, including resolutions adopted and approved, with corresponding tabulation of votes.

The Corporate Secretary informed the attendees that for the record, unqualified votes cast for each item for approval at today's meeting shall be counted in favor of the matter under consideration.

Based on the tabulation of votes as certified by P&A, 100% of the shareholders present voted in favor of approval. Below is the tally of votes:

<b>In Favor</b>		<b>Against</b>		<b>Abstain</b>	
No. of Shares	%	No. of Shares	%	No. of Shares	%
483,787,424	100%	0	0	0	0

The Chairman again solicited comments, clarifications and/or objection from the body, and finding none, the following resolution was unanimously adopted:

### ***STOCKHOLDERS' RESOLUTION 2023-01***

***RESOLVED, AS IT IS HEREBY RESOLVED, that the Stockholders of BDO Network Bank, Inc. (BDONB) approve, as they hereby approve, the minutes of the Annual Stockholders' Meeting held on April 29, 2022, and Special Stockholders' Meeting held on October 05, 2022, as reported and annexed to BDO Network Bank, Inc.'s Definitive Information Statement.***

#### **IV. PRESIDENT REPORT AND APPROVAL OF THE AUDITED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022.**

The Chairman then gave the floor to Mr. Jesus Antonio S. Itchon, Vice Chairman & President, to present his report on the Bank's results of operations for the year 2022. Mr. Itchon then rendered his report to the Stockholders as well as the Audited Financial Statements for the fiscal year ended December 31, 2022. Below were the highlights of the President's Report:

##### **A. 2022 Results**

###### **BDONB 2022 Net Income**

- The bank was able to achieve P1.1 Billion in Net Income, which was about three times that of the preceding year, despite the challenges brought by high inflation which fanned interest rates to grow twice and the remaining challenges brought by COVID-19.

###### **Income Statement**

- The 2022 Net Income was 196% higher, year-on-year, raising Return Average Common Equity to 12.8% from 6.2% year-on-year.
- Net Interest Income was tempered by high interest expense which grew three times. Time Deposit cost started to rise by two digits in June 2022 with 12bps Month-on-Month growth and accelerated by another 45bps in July. The highest was in October 2022 at 90bps. It started to slowdown thereafter. Nevertheless, growth remained strong at 30% from robust growth of 79% in consumer loans.
- Non-Interest Income was also strong from higher Fees earned on Salary Loans booking.
- Operating Expenses grew as the Bank continued to expand its network reach and due to strong business growth.
- Provisions were consistent with the portfolio growth.

###### **Balance Sheet**

- Total resources grew by 59% driven by customer loans which grew by 81%.
- Total deposits likewise posted a strong growth at 43%, driven by strong growth in both low-cost CASA and Time deposits.
- The Bank also borrowed from other banks to augment lending operation.
- Equity line grew from earnings boosted by capital infused by investors in August and October 2022 which were intended to sustain strong growth in loans.

###### **Above Industry Loan Growth**

- Loans grew stronger than the Rural Banks (net of BDONB), Thrift Banks and even that of the entire Banking Industry for four consecutive years. The Bank's loans have been pacing at a 36% Compounded Annual Growth Rate (CAGR) in the last 4 years, which was more than 7x the performance of the Rural Banks (5% CAGR) and 6X that of the entire Banking Industry's (6% CAGR). On the other hand, Thrift Banks' loans contracted by 10% (CAGR) in the last 4 years.

###### **Above Industry CASA Performance**

- CASA also posted another stronger growth than the Rural Banks (net of BDONB), Thrift Banks and the entire Banking Industry for the last five (5) consecutive years especially during heights of Pandemic. The bank's CASA deposit have been pacing at 19% (CAGR) for the last 4 years - that is almost 3X the performance of the Rural Banks which is growing at meager 7% (CAGR) and almost 2x that of the entire Banking

Industry of 11% (CAGR). On the other hand, Thrift Banks' CASA contracted by 4% (CAGR) in the last 4 years.

- CASA ratio declined to 57% as the bank has to grow Time Deposit on a faster pace to sustain strong growth in loans in 2022.

### **Net Interest Margin**

Net Interest Margin remained high at 8.22% although it shrunk from highest NIM of 10.18% in 2020. The contraction was attributed mainly by inflation which brought the funding cost to the roof. TD cost grew about 2x from 1.64% in 2021 to 3.04% in 2022 (full year/YTD). TD cost started to rise by 2 digits in June 2022 with 12bps MoM growth and accelerated by another 45bps in July. Highest was in October at 90bps then it started to slowdown thereafter.

### **2022 Key Metrics**

- Return on Common Equity improved to 12.8% that is more than 2x of the preceding year.
- Net Interest Income remained high at about 8.2%.
- Cost to Income Ratio improved by 137bps to 73%.
- NPL Ratio improved by more than 250bps to 2.8%.
- NPL Cover increased by 192bps and remained sufficient at 97%.
- CAR and CET 1 both improved by 200bps and remained sufficient.

## **B. Philippine Economic Update**

### **Economic Activity**

- FY2022 Gross Domestic Product (GDP) growth of 7.6% exceeds government's 6.5-7.55 target.
- Private consumption back above pre-pandemic levels but investment spending lags.
- FY 2023 economic activity to benefit from unrestricted mobility.
- Headwinds:
  - Elevated inflation
  - Higher interest rates

### **Inflation and Rates**

- Inflation was at 7.6% as of March 2023.
- BSP Policy rate at 6.25%.
- Year-on-Year inflation within 2-4% target range by 4<sup>th</sup> Quarter of 2023.

## **C. 1<sup>st</sup> Quarter 2023 Results**

### **Income Statement**

- 2022 Net Income was slightly lower compared to the same period last year mainly due to higher Interest expense which grew about 10x that of interest income.
- Non-Interest Income likewise grew from higher Fees earned on Salary Loans booking.
- Operating Expenses grew as the bank continued to expand its network reach and due to strong business growth.
- Provision is lower for better asset quality.

### **Balance Sheet**

- Total resources grew by 53% driven by customer loans which grew by 74%.
- Total deposits likewise posted a strong growth at 30%, driven by strong growth in both low-cost CASA and Time deposits. CASA grew by 20% (YTD ADB)/14% (EOP).

- The bank also borrowed from other banks to fund lending operation.
- Equity line grew from earnings boosted by capital infused by investors in August and October 2022 and to sustain asset growth.

### **1<sup>st</sup> Quarter Key Metrics**

- Return on Common Equity was diluted to 6.5% by the full impact of the Capital Infusion last year.
- Net Interest Income contracted mainly due to increase in funding cost.
- Cost to Income Ratio hiked by 60bps to 80% due to higher funding cost and operating expense.
- NPL Ratio continued to improve 2.9%.
- NPL Cover increased by 93bps and remained sufficient at 93%.
- CAR and CET 1 both improved by 260bps and remained sufficient.

## **V. OPEN FORUM**

The Chairman proceeded to the Open Forum. As provided in BDONB’s ASM Notice, stockholders were given the opportunity to send their questions and/or remarks prior to the meeting by sending an email to <bdonbcorsec@bdonetworkbank.com.ph> not later than 10:00 a.m. of April 29, 2022. Shareholders may also send their questions or comments via the Q&A panel provided in BDONB’s Webex platform.

Stockholder Ms. Cecille Galleros asked how the interest rate affected BDONB and the Bank dealt with the rate increases.

The President replied that the series of rate hikes resulting from tightening of monetary policies to avert rapid inflation growth had contracted the Bank’s earning capacity. It narrowed the Bank’s operating jaws. As presented in the report, the Bank achieved key milestones in 2022. The Bank was able to grow its assets on unprecedented level beginning March 2022 when maximum tenor for Salary Loans was extended from 3 years to up to 5 years. In order to sustain such growth, the Bank resorted to alternative funding which included Time Deposits and Borrowings which were directly susceptible to rate hikes.

In order to manage this, the Bank had drawn from its lines which were more stable and a little cheaper than the High-Cost Deposits.

Another stockholder, Ms. Shiela Kalaw, asked for the latest update in terms of the Bank’s new products and services. She further asked if BDONB would still open new branches and loan offices in 2023.

Mr. Itchon replied that BDONB was set to bring its network to about 600 in 2023 by opening 101 more sites in unserved and underserved areas. These networks would pave the way to reach borrowers and also to make cash management/deposits more convenient and accessible to the depositors in remote areas. Moreover, these networks would help sustain lending growth by generating low-cost funds. In addition, the Bank would also be offering “Pabahay Loan” to cater to the existing demands.

There being no further questions, the meeting moved on to the next item in the agenda, which was the approval of the President’s Report and Audited Financial Statements for the Fiscal Year Ended December 31, 2022. The Audited Financial Statements of the Bank were appended to the Definitive Information Statement sent to all shareholders of record and included in the Annual Report earlier sent or distributed to them upon registration.

The Chairman then asked the Corporate Secretary to announce the results of the voting. The Corporate Secretary stated that based on the tabulation of votes, 100% of the stockholders present in the meeting voted in favor of approval. Below is the tally of votes:

<b>In Favor</b>		<b>Against</b>		<b>Abstain</b>	
No. of Shares	%	No. of Shares	%	No. of Shares	%
483,787,424	100%	0	0	0	0

With the above votes in favor of approval, the following resolution was passed and adopted:

**STOCKHOLDERS' RESOLUTION 2023-02**

**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Stockholders of BDO Network Bank, Inc. note and approve, as they hereby note and approve, the President's Report for the year ended December 31, 2022, and the Audited Financial Statements for the Fiscal Year Ended December 31, 2022.

**VI. APPROVAL AND RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MANAGEMENT DURING THEIR TERM OF OFFICE**

The Chairman then proceeded to facilitate the ratification of all acts and proceedings of the Board of Directors, the Board Committees and Management during their terms of office, and significant related parties' transactions. The collective efforts of the Board, its Committees and Management were key factors to the Bank's 2022 good performance.

The Chairman then asked the Corporate Secretary to announce the results of voting. The Corporate Secretary announced that based on the tabulation of votes, 100% of the stockholders present in the meeting voted in favor of approval. Below is the tally of votes:

<b>In Favor</b>		<b>Against</b>		<b>Abstain</b>	
No. of Shares	%	No. of Shares	%	No. of Shares	%
483,787,424	100%	0	0	0	0

With the above votes in favor of approval, the following resolution was passed and adopted:

**STOCKHOLDERS' RESOLUTION 2023-03**

**RESOLVED, AS IT IS HEREBY RESOLVED**, that the Stockholders of BDO Network Bank, Inc. (BDONB) approve, confirm and ratify, all of the resolutions, acts, including approvals of significant related parties' transactions, and proceedings of the Board of Directors, its duly constituted Board Committees, Management and Officers, in carrying out and promoting the purposes, objects, and interests of BDONB up to the date of the Annual Stockholders' Meeting, April 28, 2023 and approve, confirm and ratify the same, as the acts and deeds of BDONB.

**VII. ELECTION OF DIRECTORS FOR THE YEAR 2023 – 2024**

The Chairman then announced that the next item on the agenda was the election of the regular and independent members of the Board of Directors of BDONB for the year 2023-2024 and until the next succeeding annual stockholders meeting. The Chairman of the meeting also informed all the stockholders in attendance of the mandatory requirement of electing independent directors. The Chairman then asked the Corporate Secretary to read the list of nominees for regular directors and independent directors.

The Corporate Secretary informed the stockholders that as of the close of the nomination period pursuant to the Bank's By-Laws, there were only eight (8) persons nominated and qualified to fill-up the eleven (11) seats in the Board. He announced that the following nominations were received and evaluated by the Corporate Governance Committee during the prescribed nomination period, and that the Committee found the nominees to possess all the qualifications and none of the disqualifications for election as regular and independent directors, respectively, of BDONB:

Nominees for Regular Directors

1. Nestor V. Tan
2. Jesus Antonio S. Itchon
3. Jovasky Wei Shen Pang

4. Jaime C. Yu
5. Rolando C. Tanchanco
6. Geneva T. Gloria

Nominees for Independent Directors

1. Evelyn Cristina A. Cam
2. Ma. Leonora V. De Jesus

Upon the request of the Chairman of the Meeting, the Corporate Secretary presented the results of the voting of the stockholders on the election of each nominee. Based on the tabulation of votes made by P&A, the votes cast and received by the nominees were as follows:

Nominees		Total Outstanding Shares	Votes in Favor	Voted Against	Abstentions
Regular Directors:					
1.	Nestor V. Tan	1	483,787,424	0	0
2.	Jesus Antonio S. Itchon	1	483,787,424	0	0
3.	Jovasky Wei Shen Pang	1	483,787,424	0	0
4.	Jaime C. Yu	1	483,787,424	0	0
5.	Rolando C. Tanchanco	1	483,787,424	0	0
6.	Geneva T. Gloria	1	483,787,424	0	0
Independent Directors:					
1.	Evelyn Christina A. Cam	1	483,787,424	0	0
2.	Ma. Leonora V. De Jesus	1	483,787,424	0	0

Considering that there were only eight (8) persons nominated to, and qualified for, the eleven (11) seats in the Board of Directors of BDONB for the year 2023-2024, and the results of the voting, the following resolution was passed and adopted:

***STOCKHOLDERS' RESOLUTION 2023-04***

***RESOLVED, AS IT IS HEREBY RESOLVED, that the following persons are hereby elected as Directors of BDO Network Bank, Inc. for a period of one (1) year until their successors shall have been duly elected and qualified:***

***Regular Directors:***

1. Nestor V. Tan
2. Jesus Antonio S. Itchon
3. Jovasky Wei Shen Pang
4. Jaime C. Yu
5. Rolando C. Tanchanco
6. Geneva T. Gloria

***Independent directors:***

1. Evelyn Cristina A. Cam
2. Ma. Leonora V. De Jesus

**VIII. APPOINTMENT OF EXTERNAL AUDITOR**

The next item in the Agenda was the appointment of the Bank's external auditor. The Audit Committee had accepted nominations for external auditor and pre-screened the same. The current external auditor, Punongbayan & Araullo, Grant Thornton was recommended for re-appointment as external auditor.

The Chairman entertained the motion for the reappointment of Punongbayan & Araullo, Grant Thornton as the Bank's external auditor for the year 2023.

The Chairman then asked the Corporate Secretary to announce the results of voting by the stockholders on the re-appointment of Punongbayan & Araullo (P&A), Grant Thornton as the external auditor of BDONB. The Corporate Secretary announced that based on the tabulation of votes, 100% of the stockholders present voted in favor of the reappointment of P&A as external auditor of the Bank for the year 2023. Below is the tally of votes:

<b>In Favor</b>		<b>Against</b>		<b>Abstain</b>	
No. of Shares	%	No. of Shares	%	No. of Shares	%
483,787,424	100%	0	0	0	0

Thereafter, the following resolution was passed and adopted:

***STOCKHOLDERS' RESOLUTION 2023-05***

***RESOLVED, AS IT IS HEREBY RESOLVED, that the Shareholders approve, as they hereby approve, the re-appointment of **Punongbayan & Araullo, Grant Thornton** as external auditor of BDO Network Bank, Inc. for the year 2023 under such terms and conditions as may be determined by Management.***

**IX. OTHER MATTERS**

The Chairman asked the Corporate Secretary if there are any other matters which may properly be taken up by the shareholders at the meeting. The Corporate Secretary confirmed to the Chairman that there are no other matters for shareholder's approval.

**X. ADJOURNMENT**

There being no other matters to be taken up, a motion was made to adjourn the meeting and the Chairman thanked everyone who has participated by voting and sending in their questions/comments.

Thereafter, Chairman adjourned the meeting at 11:38 A.M.

  
**JOSEPH JASON M. NATIVIDAD**  
*Corporate Secretary*

ATTESTED BY:

**NESTOR V. TAN**  
*Chairman*